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cc Nato/Greece Sept. 80

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PRESIDENT OF GREECE, MR. KARAMANLIS, IN ATHENS ON 23 SEPTEMBER
1980 AT 1245 HOURS

Present:

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| Prime Minister | Mr. Karamanlis |
| H.E. Mr. Ian Sutherland | Mr. Lagakos |
| Mr. M.O'D.B. Alexander | Mr. Molyviatis |

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After an exchange of courtesies, President Karamanlis described the economic problems being encountered by the Greek Government. Although there was little unemployment, the balance of payments situation was very serious. The deficit had virtually tripled in three years. Inflation was running at a rate of 24 per cent per annum and was on a rising trend. The causes of inflation were the price of oil and an excessively generous incomes policy. The income of workers and farmers had been held down by the Colonels. It had been necessary to give them justice after the restoration of democracy. The economy was basically sound and the Government was fighting hard to control the problems. But the oil producers were making it difficult.

President Karamanlis said that the situation in the Middle East was very worrying. No-one was in control. The problems were, of course, very grave since the economy of Europe depended on Middle East oil. Unless Europe was prepared to take effective measures in good time, the oil suppliers would dictate policy. The only way to abate the feeling of absolute dependence on the oil producers was to formulate a common European policy and insist that the producers enter into discussions. Failing such an approach, Europe would in due course be faced with a choice between economic collapse and the use of force. The Prime Minister commented that Europe had been trying to give substance to the Euro-Arab dialogue for a long time. Perhaps the additional uncertainty flowing from the current hostilities between Iran and Iraq would make the Gulf States more inclined

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to look to the West for security. President Karamanlis commented that the Gulf States were more concerned with internal security than with the external threat. They seemed unable to formulate a common policy. Moreover the conservative regimes, who tended to be pro-Western, were being increasingly infiltrated by radicals. If Saudi Arabia went the way of Libya and Algeria, the entire situation would pass out of Western control.

President Karamanlis asked the Prime Minister for her views on the origin of the conflict between Iran and Iraq. The Prime Minister referred to the existence of an Arab minority in Southern Iran, to the difficulties inside Iraq which might, in the view of the Iraqi Government, be diminished by engaging in hostilities with Iran, and to the desire to acquire additional territory. However, she had been surprised by the extent of the Iraqi invasion. President Karamanlis asked whether Iraq's neighbours were likely to try to restrain the Iraqi Government. The Prime Minister said that she doubted whether any of them were in a position to do so. President Karamanlis agreed and said that the flare-up of fighting was yet another example of the lack of logic which was so prevalent in international affairs at present. The problems of the Middle East had begun 30 or 40 years earlier and had seemed to get worse every year since. There had been a failure to take timely action in the past. It would now be more difficult than ever to find solutions.

NATO

The Prime Minister said that she had discussed with Mr. Rallis the question of Greece's re-integration into NATO. She had been glad to learn in detail about the political, Parliamentary and national problems which would arise if an early solution was not found. President Karamanlis said that this was yet another problem for which he could see no logical explanation. Every other alliance was trying to find new members in order to strengthen it but Greece was kept waiting at the door by NATO. He had been widely criticised in Greece for changing his mind in 1977 and applying for re-entry. The Greek people felt additionally

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humiliated by being forced to wait for acceptance. The Prime Minister said that she would enquire into the progress being made by General Rogers. She had not yet formed a view as to whether the change in Turkey would make it more or less difficult to secure Turkish agreement to Greece's rejoining NATO. She asked whether President Karamanlis had formed a view on this point. President Karamanlis said that the situation was not yet clear. The military Government would be less bound by public opinion. On the other hand, the military tended to be more chauvinistic than professional politicians. The Greek Government had, in his view, always been moderate. They had retained their hope that the Turks would talk with them. The problems between the two countries could be solved. But for the last six years there had been no interlocutor in Ankara. Greece's offers and suggestions had never been discussed. President Karamanlis described the difficulties he had had with Mr. Demirel and Mr. Ecevit over negotiations on the Continental Shelf. The handling of the issue of Greek re-entry into NATO had been characteristic. The Turks should in logic be urging Greece to rejoin. After all, if Greece were to leave, Turkey would be completely cut off.

President Karamanlis said that the situation inside Turkey was very bad. There were serious social, ethnic, religious and political problems. It was extremely difficult to envisage how the situation would work out. General Evren's statements so far had been moderate and encouraging. But it would be very hard for the military to give up power. They would fear another explosion. Those who were giving aid to Turkey should also be giving the Turks advice. Great efforts were being made to strengthen the Alliance: Turkey must not be allowed to weaken it. Turkey's role in the Eastern Mediterranean was vital. Progress in Cyprus, in Greco-Turkish relations, and on the re-integration of Greece into NATO all depended on the Turks. If no progress were made, the situation in the Eastern Mediterranean would deteriorate. This could have very dangerous consequences indeed. The Prime Minister said she fully agreed about the urgency of the situation.

The discussion ended at 1335.

24 September 1980

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