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AND TO
IMMEDIATE DOT (ADVANCE COPY TO BENJAMIN/PEP)
IMMEDIATE DOI (ADVANCE COPY TO MEP)
IMMEDIATE DEPT OF ENERGY

B. Greece
Enter and pass on
Prime Minister
We discussed
no *And*

GREECE : COAL FIRED POWER STATION PROJECT

THE GREEK PRIME MINISTER SUMMONED ME LATE ON 18 DECEMBER. MANOS, MINISTER OF ENERGY, AND ROUSSOS, ALTERNATE SECRETARY GENERAL AT THE MFA, WERE PRESENT. I WAS ACCOMPANIED BY MY COMMERCIAL COUNSELLOR. RALLIS INFORMED ME THAT HIS INNER CABINET HAD THAT DAY DECIDED, WITH ONLY MITSOTAKIS DISSENTING, NOT TO ACCEPT THE BRITISH PACKAGE. ALTHOUGH THE GEC OFFER WAS COMPETITIVE, THE COAL SUPPLY DID NOT MEET GREEK REQUIREMENTS OR THE TERMS OF THE MEMORANDUM OF UNDERSTANDING. THE OFFER ON OIL HAD BEEN INSUFFICIENT TO COMPENSATE. HE, RALLIS, COULD HAVE IMPOSED A CONTRARY DECISION ON HIS COLLEAGUES BUT "HE HAD NOT THE MORAL STRENGTH TO CREATE A POLITICAL CRISIS".

2. HOWEVER, IN RECOGNITION OF THE NEED TO DO SOMETHING FOR US, IT HAD BEEN DECIDED THAT THE ENTIRE MESSOLONGHI PETROCHEMICAL PROJECT, INCLUDING UTILITIES, WOULD BE AWARDED TO THE UK. AN ANNOUNCEMENT WILL BE MADE BEFORE CHRISTMAS. RALLIS ALSO CONFIRMED THAT THE BRITISH GROUP WOULD GET THE CONSULTANCY CONTRACT FOR ATHENS AIRPORT.

3. I SAID THAT I DID NOT WISH TO MINIMISE THE VALUE OF THE PETROCHEMICAL PROJECT BUT THE DECISION ON THE POWER STATION WOULD CAUSE DISAPPOINTMENT AND CONCERN. RALLIS INTERRUPTED TO SAY THAT MRS THATCHER WOULD UNDERSTAND HIS POLITICAL DIFFICULTIES. I INSISTED THAT THE DECISION TO REJECT SO ADVANTAGEOUS A PACKAGE, COUPLED WITH THE DEPRESSING ACCOUNT I HAD JUST HAD FROM AVEROFF ON BRITISH PROSPECTS FOR DEFENCE PROJECTS (MY TELNO 343) AND, MORE GENERALLY, THE FAILURE ON THE PART OF THE GREEKS TO IMPLEMENT THE MEMORANDUM OF UNDERSTANDING SIGNED A YEAR AGO IN LONDON WAS DIFFICULT TO UNDERSTAND AND WOULD CERTAINLY BE TAKEN VERY HARD IN LONDON. I EMPHASIZED THAT, IN OUR VIEW, THE POWER-STATION PACKAGE COMPLIED FULLY WITH THE TERMS OF THE MEMORANDUM AND THAT THE OIL OFFER WENT CONSIDERABLY FURTHER. I RECALLED THAT THE MEMORANDUM ALSO CONTAINED A COMMITMENT ON RAILWAYS AND REFERENCE TO DEFENCE PROJECTS. ON THE CURRENT DEFENCE PROJECTS, WHICH I ENUMERATED, RALLIS SAID THAT THESE WERE "AVEROFF'S FIEF": HE DID NOT INTERFERE. AS REGARDS THE RAILWAY MODERNISATION SCHEME, THE FINANCIAL SITUATION WAS SUKH THAT IT WAS NOT AT PRESENT A STARTER (BUT SEE MY PARA 6 BELOW).

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4. RALLIS CONSULTED ME ON THE TERMS OF A PRESS RELEASE WHICH THE GOVERNMENT WISHED TO PUT OUT FORTHWITH TO SCOTCH MISLEADING REPORTS. TSALDARIS, UNDER SECRETARY TO THE PRIME MINISTER AND RESPONSIBLE FOR THE PRESS, WAS SUMMONED. THE GREEK DRAFT WAS REVISED, ON MY INSISTENCE, TO MAKE IT QUITE CLEAR THAT THE REASON FOR THE BREAKDOWN WAS NOT, REPEAT NOT, THE PRICE OF THE GEC OFFER. ON THIS POINT IT WAS FURTHER AGREED, AFTER RALLIS WITHDREW TO GO TO PARLIAMENT, THAT TSALDARIS WOULD TELL THE PRESS THAT TECHNICALLY THE GEC BID WAS FAULTLESS, THAT IT WAS "REASONABLY" PRICED, AND THAT DIFFERING INTERPRETATIONS OF THE COAL OFFER WERE THE CAUSE OF THE REJECTION. IT IS WORTH RECORDING THAT TSALDARIS REMARKED THAT IF THE BID WAS AS DESCRIBED, HE WOULD FIND IT VERY DIFFICULT TO EXPLAIN THE GOVERNMENTS DECISION AND MANOS HAD BETTER ANSWER PRESS ENQUIRIES. I SAID THAT IN ANSWER TO QUESTIONS FROM THE PRESS WE WOULD ALSO WISH TO STATE THAT, IN THE BRITISH VIEW, THE PACKAGE HAD BEEN CONSISTENT WITH THE 1979 MEMORANDUM IN ALL ITS ASPECTS. THE PARAGRAPH ON PROCEEDING FORTHWITH TO INTERNATIONAL TENDER, WHICH MANOS CONFIRMED TO BE THE GOVERNMENTS INTENTION, WAS INSERTED WITH MY AGREEMENT. TRANSLATIONS OF THE TEXT OF THE GREEK RELEASE PUT OUT LATER ON 18 DECEMBER IS IN MIFT

5. THERE IS NO REFERENCE IN THE PRESS STATEMENT TO THE SIZE OF THE UNITS FOR THE COAL-FIRED POWER STATION TO BE BUILT AFTER INTERNATIONAL TENDER BECAUSE, AS MANOS EXPLAINED THE GREEKS ARE PREPARED TO ACCOMMODATE GEC, IE. IF IT WOULD SUIT THEM, THE SPECIFICATION WILL BE FOR 350 MW UNITS. HOWEVER, MANOS ADDED, THAT GIVEN THE RELATIVELY SMALL SIZE OF TOTAL GREEK CAPACITY, 600 MW UNITS WERE EXCLUDED. GRATEFUL FOR AN EARLY REACTION FROM GEC.

6. IN SUBSEQUENT DISCUSSION, I REVERTED TO THE RAILWAY MODERNISATION PROJECT AND REFERRED TO THE "COLD BID" PRESENTED ON 16 DECEMBER TO THE MINISTER OF COMMUNICATIONS. (MY TELNO CRED A 213). IN THE LIGHT OF RALLIS' STATEMENT QUOTED IN MY PARA 3 ABOVE, I DO NOT CONSIDER THAT THIS STANDS MUCH CHANCE OF ACCEPTANCE BUT I SHALL ENSURE THAT HE IS PERSONALLY PROVIDED WITH FULL DETAILS. I ALSO PRESSED FOR ACCEPTANCE OF THE BRITISH BID FOR THE TEACHING HOSPITAL PROJECT.

7. REFERRING TO THE PROJECTS MENTIONED IN MY PRECEDING PARA AND TO THE LAST PARAGRAPH OF THE PRESS RELEASE, MANOS THREW IN THE SUGGESTION THAT THE CLIMATE FOR ECONOMIC AND INDUSTRIAL COOPERATION COULD BE VERY FAVOURABLY INFLUENCED BY THE EARLY OFFER BY BNOC OF A TOKEN QUANTITY OF OIL, FOR DELIVERY NOT NOW BUT IN SOME MONTHS TIME. HE HAS IN MIND 200,000 TONS. HE ACKNOWLEDGED THAT MR HOWELL HAD MADE IT QUITE CLEAR AT THE I.E.A. MEETING IN PARIS THAT OUR OIL OFFER HAD BEEN LINKED TO THE POWER-STATION CONTRACT: BUT THIS WOULD BE A GESTURE OF GOODWILL WHICH COULD PAY DIVIDENDS. HE REPEATED THIS WHEN RALLIS REJOINED AT THE CONCLUSION OF THE MEETING. I CONFIRMED WHAT MR HOWELL HAD SAID AND GAVE THE GREEK MINISTERS NO REASON TO THINK THAT THIS SUGGESTION COULD BE TAKEN UP. BUT I SHOULD BE GRATEFUL TO KNOW IF BNOC COULD CONTEMPLATE AN OFFER OF THIS DIMENSION WHICH, I COULD REKOMMEND, SHOULD ONLY BE MADE AGAINST A SPECIFIC COMMERCIAL COMMITMENT BY THE GREEKS.

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8. THE REJECTION OF THE POWER STATION OFFER IS BITTER NEWS AFTER ALL THE EFFORT PUT IN TO BRING OFF THIS PROJECT. THE MESSOLONGHI AND AIR-PORT CONSULTANCY CONTRACTS ARE TOGETHER WORTH SOME £70 MILLIONS, BUT THE DECISION REPRESENTS A SETBACK TO HOPES FOR A DRAMATIC IMPROVEMENT IN OUR SHARE OF THE GREEK PUBLIC-SECTOR MARKET. I HAVE REASON TO BELIEVE THAT THE DECISION OWES MORE TO DIVISIONS WITHIN NEW DEMOCRACY THAN TO FEAR OF PASOK REACTION. AS FOR THE FUTURE, OUR AIM SHOULD BE TO EXTRACT MAXIMUM COMMERCIAL ADVANTAGE FROM THE POSITION OF PSYCHOLOGICAL INDEBTEDNESS IN WHICH GREEK MINISTERS FIND THEMSELVES. IF WE PLAY OUR CARDS RIGHT, GEC ARE WELL PLACED TO WIN THE CONTRACT FOR THE COAL FIRED-POWER STATION AGAINST INTERNATIONAL COMPETITION

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