

COVERING CONFIDENTIAL

*Greece*



Foreign and Commonwealth Office

London SW1A 2AH

*L.S. Paul*

16 October 1979

*Dear Michael,*

VISIT OF THE GREEK PRIME MINISTER

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I enclose, as requested, briefs for the call which Mr Karamanlis will make on the Prime Minister at noon on 24 October, to be followed by lunch.

*Yours etc*

*Paul*

(P Lever)

M O'D B Alexander Esq  
10 Downing Street

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BRIEF NO 1

VISIT OF THE GREEK PRIME MINISTER: 24 OCTOBER

1. OBJECTIVES

- (i) Establish good personal relations as NATO and Community partners;
- (ii) Advance the prospects for British firms to secure important defence and public works contracts;
- (iii) Discourage Greeks from abandoning current NATO initiative on Aegean;
- (iv) Offer reassurance over British even-handedness on Greek/Turkish disputes.

2. GREEK OBJECTIVES

- (i) Establish good personal relations;
- (ii) Put Greek case on Aegean, NATO and Cyprus;
- (iii) Reassure UK on Greece's western orientation;
- (iv) Tour d'horizon on Community and world issues;
- (v) Seek early UK ratification of Greek Treaty of Accession.

3. BACKGROUND AND TACTICS

Mr Karamanlis asked to come to London; ostensibly he is visiting European capitals to lobby for early ratification of Greek entry to the EEC; there is no reason why he should not be allowed to take the lead in the talks. His visit follows official visits to Moscow, Budapest and Prague and, immediately before London, calls on Chancellor Schmidt and President Giscard. He goes on to Italy on 25 October. He was last in London in January 1978, mainly lobbying over EEC membership, but also discussed Cyprus, the Aegean, NATO and UK/Greek trade.

4. Mr Karamanlis is very conscious of his status as the greatest living Greek statesman, who reestablished democracy after the Colonels' regime and swung Greece decisively towards to West.

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/He likes



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He likes to deal in general concepts. He is rather deaf; he understands English but uses an interpreter (the head of his Secretariat, Ambassador Molyviatis).

5. The Prime Minister might wish to express regret that she was unable to visit Athens in May for the signing of the EEC Treaty of Accession (President Giscard attended).

CONTRACTS (BRIEF NO 2)

6. The only current bilateral bone of contention is that Britain does not get a reasonable share of major contracts. Unwillingness to deal with the Colonels, especially over arms supplies, which allowed competitors to establish a grip on the market, and political pressures from the competitors are largely responsible. Two major contracts are now near favourable decision. A coal-fired power station (worth £300 million and possibly more later), on which a team of officials has just returned from Athens; and a project to sell Vickers tanks (worth £100 million). Other major projects in which British firms are interested include frigates, Rapier air defence system, and railway electrification. High level lobbying for contracts is accepted as normal by the Greeks, and frequently practised eg by France and Germany.

GREECE AND NATO (BRIEF NO 3)

7. Greece withdrew from the military structure of NATO in 1974, following Turkey's invasion of Cyprus. She applied in 1978 for re-integration, on terms which all the Allies except Turkey agreed. Attempts to find a compromise over command and control in the Aegean are almost deadlocked. The Greeks blame the Allies, and especially the United States, for not exerting sufficient pressure on Turkey. A SACEUR initiative limps on but the Greeks will not concede any price to Turkey for re-integration and threaten to force the issue, possibly jeopardising their very NATO membership.

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RATIFICATION OF GREEK TREATY OF ACCESSION

8. Ratification by Member States is necessary before Greece formally joins the Community on 1 January 1981. Mr Karamanlis wrote to the Prime Minister in June about the importance of early ratification. She replied that procedures would inevitably take time but that the UK was going ahead with high priority. The Enlargement Bill will be tabled in Parliament immediately after the recess. First Reading will be in November followed by Second and Third Readings in December or early New Year (depending on pressure of parliamentary business - likely to be heavy in view of Government's legislative programme).

GREEK/TURKISH DISPUTES

9. The major problems concern the Aegean - continental shelf (which may contain oil), flight information region and militarisation of the Greek islands. Since 1978, when Mr Ecevit came to power in Turkey, dispute defused and sporadic Greek/Turkish negotiations; but little progress. Turkey demands a 'fair share' of the Aegean; Greece claims virtually everything and could not allow Greek islands, some of which are 3 miles from Turkey, to be 'enclaved' in a Turkish sea. Their allies do not wish to get involved. Some hints of Greek concern that the new British government might be more pro-Turkish than its predecessor; in fact, relations with Greece are rather closer and easier than with Turkey.

CYPRUS

10. Turkish Cypriots (18% of population), discriminated against 1963-74, occupy 40% of the island since 1974 invasion, since when de facto partition. The Greek Cypriots have made a remarkable economic recovery.

11. Various attempts have been made to promote a negotiated intercommunal settlement. In 1978 the US, UK and Canada tabled compromise proposals for resumed negotiation. In May 1979 the UN eventually got President Kyprianou and Mr Denktash to meet



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and agree to resume intercommunal talks. They were interrupted after only four meetings, the Turkish Cypriots insisting on first clarifying the concepts of 'bizonality' and 'security'. The Turkish side has recently offered to resume the talks on the basis of a formula put forward by the UN, but evidently wishes to stall at least until the political situation in Turkey clarifies following the 14 October partial elections and Mr Ecevit's resignation. The Greek Cypriot side wants a different formula and is in any case intent on winning another propaganda victory at the UN General Assembly, where it gets non-aligned support. It remains unwilling to accept the unpleasant fact that virtually total autonomy would have to be conceded to the Turkish Cypriots as the price for a settlement under which the Turks would cede some territory. The prospect of any real progress in the near future is minimal. The British attitude is studiously even-handed: UN efforts are supported. The omission of a Cyprus item under 'Objectives' in 1 above is deliberate; the Greeks have distanced themselves during the past year from the detailed negotiations. The Greek Government would like a Cyprus settlement but its influence on the Greek Cypriots is limited. On the other hand, it cannot afford to be accused of treason. It tends therefore to be ambivalent. But this has not prevented the Greeks from giving the Cyprus Government support in seeking victories at the UN and yielding to the temptation to use any stick with which to beat the Turks. Time is not on the side of the Greek Cypriot/Greek side; the international community is bored with Cyprus and the existing partition is becoming accepted.

GREEK RELATIONS WITH SOVIET BLOC

12. Mr Karamanlis has recently visited Moscow, Budapest and Prague. He is the first Greek Prime Minister to visit Moscow. The visits bring Greek relations with Eastern Europe in line with those long enjoyed by the rest of Western Europe

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(and recently Turkey); the declarations etc signed were on standard lines. But it is of some concern that the trip coincided with a marked deterioration in the tone of Greek relations with the United States (paragraph 7 above).

AGREEMENT FOR REPAIR OF SOVIET NAVAL VESSELS IN GREEK DOCKYARD

13. In September it was announced that an agreement running to 1981 had been concluded between the Syros island dockyard and the Russians permitting the re-fitting of Russian ships including naval auxiliaries - the first such formal agreement by a NATO country. And the first ship to arrive, the Koida, is a naval auxiliary. Concern has been expressed informally to the Greeks in NATO about naval vessels being offered facilities; the Greeks are hypersensitive and have declined to give details, claiming that the agreement is a purely commercial matter.

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Southern European Department  
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BRIEF NO 2

VISIT OF THE GREEK PRIME MINISTER: 24 OCTOBER

PUBLIC WORKS AND DEFENCE CONTRACTS

POINTS TO MAKE

1. Concerned that UK still does not get the share it should of major contracts, notably in public sector. Reluctance to do business with the Colonels, especially over arms sales, let competitors in.
2. On the civil side hope coal-fired power station project can be processed quickly.
3. Hope we also can help with railway electrification project; welcome recent consultations.
4. Pleased with Avramides' visit. Three first-class defence projects where British weaponry can meet Greek requirements; understand at least two may be decided soon:

- (a) Tanks
- (b) Frigates
- (c) Air-defence missiles.

BACKGROUND

5. Under the Colonels, public sector contracts were steered firmly towards regimes considered friendly and particularly those willing to supply major arms systems; British firms suffered. There has been no compensating move by the Colonels' successors and British firms have had difficulty in regaining traditional markets. Greek Ministers recognise this. Despite intense lobbying from elsewhere, notably France, they seem prepared to steer more business Britain's way. High level political approaches on such matters are standard form in Greece.

COAL-FIRED POWER STATION

6. Officials visited Athens in early October to discuss a project for coal-fired power stations possibly worth as much as £300 million. A government to government memorandum of understanding in general terms on joint industrial collaboration could be ready for signature when Greek Minister of Coordination, Mr Mitsotakis, visits London in November; though power station contract unlikely till somewhat later.

RAILWAY ELECTRIFICATION

7. Greeks plan to electrify Athens/Thessalonika and Athens/Corinth rail links. Value of total project might be worth as much as \$1 billion. Several British firms, notably General Electric, are interested.

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/DEFENCE

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DEFENCE CONTRACTS: GENERAL

8. There has been no major sale in recent years despite Greek interest in a number of arms systems. Mr Avramides, Deputy Defence Minister, visited Britain in September to see equipment. He said Greek priorities were, in order, Low-level Air Defence, Frigates and Tanks. Since then, however, tanks may have become the top priority. The French are the main competitors in all fields.

VICKERS TANKS

9. Greeks need minimum 200 Main Battle Tanks (£100 million), possibly up to 1,000; have hesitated for 3 years between Vickers MBT and French; no French alternative available at present but one will be before long. [Not for use. The Greek Army favour Vickers, and Mr Avramides has himself privately suggested that the Prime Minister's lobbying might tip the scales.] Vickers chairman in Athens 8 October. Chobham armour is unique, and substantial local manufacture and assembly has been offered in the package.

FRIGATES

10. Greeks need up to 6 frigates. British Shipbuilders (Yarrows) competing with new 'Type 24' design (£100 million each) against French, Dutch and Italians. BS Chairman in Athens 16 October. 'T 24' is very modern design, offering unique flexibility and wide range of weapon fits.

RAPIER AIR-DEFENCE SYSTEM

11. Bases of all 3 Greek services need low-level air-strike protection. British Aerospace Rapier missile (£75-95 million for 15 units) is well-proven: only one currently in service in West. Britain will continue to use it until beyond year 2000. Franco-German and US missiles are main competitors

*Can they pay?*

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VISIT OF THE GREEK PRIME MINISTER: 24 OCTOBER  
PUBLIC WORKS AND DEFENCE CONTRACTS

NORTH SEA OIL IN RETURN FOR POWER STATION CONTRACT

POINTS TO MAKE (DEFENSIVE USE ONLY)

If Mr Karamanlis asks for North Sea oil in return for a coal-fired power station contract, no commitment can be given

1. Concerned about our supplies for rest of 1979 and 1980: already somewhat overcommitted on exports.
2. We are therefore unable to help this year or next but we would be very ready, without commitment at this stage, to examine with you, what the UK might be able to do to help meet Greece's need for oil thereafter.

BACKGROUND

3. During negotiations on the coal-fired power station contract, the Greeks have suggested that Britain should export to Greece up to 1 million tonnes of North Sea oil per annum over 2-3 years starting in 1980. HM Ambassador advises this is not necessarily crucial for the deal but a gesture would be very beneficial. Currently 71% of Greek energy demand is met by oil, all imported. This year Greece has concluded government-to-government agreements for oil supplies from Libya, Iraq, Saudi Arabia and the USSR. ODE has agreed our oil might be used in this way in return for specific and tangible benefits. It might be more profitable for us to supply products rather than crude oil. BP and Shell both have marketing and chemical interests in Greece. We should therefore avoid any suggestion that if we could help it would be with North Sea oil. It might be with crude or products originating elsewhere.

Department of Energy  
23 October, 1979

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BRIEF NO 3

VISIT OF THE GREEK PRIME MINISTER: 24 OCTOBER

GREECE AND NATO

POINTS TO MAKE

1. Greek reintegration into NATO military structure is important both for the Alliance and for Greece. Hope real effort will be made to overcome outstanding problems over SACEUR's latest proposals.
2. Military level talks are the best way forward. The Turkish domestic situation must restrict prospects for any movement at the political level. *Hope General Davos can meet General Rogers soon. \* (su over)*
3. [Defensive] Political confrontation with Turks would achieve nothing. US and other Allies cannot force Turks to give way. Dangerous to try to force the pace.

BACKGROUND

4. Since 1978 Greece has been trying to return to NATO's integrated military structure, which Mr Karamanlis left in 1974 following the Turkish invasion of Cyprus. At that time, the move was seen as the alternative to a military move against Turkey. Talks between SACEUR and Greek military authorities early in 1978 resulted in proposals for Greece's return acceptable to all NATO countries except Turkey, which insisted that a long-standing Graeco/Turkish dispute over air and naval command boundaries in the Aegean be solved first. Greeks have argued for return to pre-1974 boundaries (between the eastern-most Greek islands and the Turkish mainland, placing virtually the whole Aegean under Greek command) pending agreement on alternative arrangements. The Turks claim that the pre-1974 boundaries made military nonsense; they were never accepted by Turkey; new boundaries must be negotiated before Greek return. Behind these differences lies the more important bilateral dispute over division of Aegean continental shelf, and threat that Greek islands might become 'enclaves' in Turkish waters.

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5. SACEUR was mandated by the Secretary-General of NATO to look for compromise arrangements. After exchanges with both sides which he may have handled rather clumsily, General Haig produced proposals under which operational control over much of Aegean sea and air space would be exercised by NATO commanders, neither Greek nor Turkish. These were acceptable to the Turks but not to the Greeks, who saw them as jeopardising Greek sovereignty over Greece's own islands; they do not in any case see why they should pay any price for reintegration (while the Turks do not see why they should get back for nothing). General Rogers having taken on General Haig's mandate, a SHAPE team recently visited Athens to try to clarify outstanding technical points, and will visit Turkey soon. Reports of the Athens visit were not encouraging; but the Greeks have not yet actually rejected SACEUR's proposals.

6. Meanwhile Greek patience has been fraying, and the Opposition exploiting the deadlock to attack NATO and US base facilities in Greece. Disagreements over command arrangements for a NATO exercise led in August to Greek withdrawal from the entire autumn exercise series.

7. Fault does not lie entirely on the Greek side, but the Greeks have over-reacted, if only for the domestic audience. It has been implied that if Turkey can use blackmail, so can Greece, and that Greece's very membership of NATO might be put in jeopardy despite Mr Karamanlis's commitment to the West. If Mr Karamanlis cannot settle the issue, it is however, unlikely that any successor could.

16 October 1979  
Southern European Department  
Foreign and Commonwealth Office

\* General Rogers (SACEUR, see above)  
was to have met General Davos (Greek C.D.S.)  
this month. General Davos has cancelled  
the meeting giving no reason + offering no  
new date. General Rogers is anxious to know  
why: the matter is clearly one of some  
importance.

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## VISIT OF THE GREEK PRIME MINISTER: 24 OCTOBER

## SITUATION IN TURKEY

1. At partial elections on 14 October, Mr Ecevit lost all five lower house seats at stake, the swing against his socialist party in these and the senate elections (one-third of the elected seats) being 13%. His government, already in a minority, resigned. Mr Demirel's right wing Justice Party did well, but cannot command a majority without a coalition with the extreme right (Mr Turkesh's National Action Party) and the Islamic fundamentalists (Mr Erbakan's National Salvation Party); Mr Demirel's aim is reportedly to secure early general election (eg May 1980, after the spring thaw) an interim government holding office meanwhile.
2. Holding office since January 1978, Mr Ecevit failed to solve Turkey's two main problems (which he inherited from Mr Demirel):
  - (a) growing political violence, mainly between right and left but with Sunni/Shia overtones, despite martial law in one-third of the country; killings run at over 20 per week;
  - (b) acute economic malaise (inflation 70%, unemployment 20%, high external debt and balance of payments crisis) despite \$1 billion in OECD aid this year (\$30 million from UK).
3. The forecast of how events will develop is very difficult. A tentative one is:
  - (a) a caretaker non-party government will be formed, after lengthy manoeuvring;
  - (b) general elections next spring;
  - (c) extension and toughening of martial law;
  - (d) no overt intervention by the armed forces but a possibility of their playing a more prominent role through martial law administration and possibly by pressing for constitutional reform to give the President greater powers to assure strong government;

/(e)



- (e) the strong, stable government Turkey badly needs is unlikely in the near future;
- (f) in consequence Turkey will continue to be a difficult partner over economic policy, the Aegean, Cyprus etc
- (g) but Turkey's basic Western orientation is unlikely to be seriously at risk for the time being
- (h) Turkey will continue to need Western understanding.

SOUTHERN EUROPEAN DEPARTMENT  
FOREIGN AND COMMONWEALTH OFFICE  
19 October 1979



22 OCT 1979



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KARAMANLIS Constantine, Greek Prime Minister

Born Northern Greece, 1907. Studied law at Athens. 1946-55 was variously Minister of Labour, Transport, Public Welfare, National Defence and Public Works. His first period as Prime Minister, 1955-63, was an exceptionally stable and successful time for Greece. Resigned in 1963 (when King Paul rejected his advice that the State Visit to Britain should not take place) and went into self-imposed exile in Paris, where he remained until his triumphant return to Greece in July 1974.

Since then has easily dominated political life although more tolerant than previously to the Left, thus alienating some Right-wing elements in the Armed Forces. Has also made enemies of a number of tycoons, by measures against their interests, while a much wider section of the business world resents his social and fiscal policies which they see as an apostasy on the part of a formerly conservative political figure. In foreign policy he has shown considerable skill and moderation in pursuit of his prime objectives of tying Greece firmly to the West and avoiding war with Turkey. His touch in home and particularly economic affairs has been less sure. Widely recognised as the outstanding Greek statesman since Venizelos.

Aloof, hard-working, authoritative (some say authoritarian), interested only in work. Divorced 1971; occasional golfer; rather deaf.

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GREECE: VITAL STATISTICS (1978)

|    |                                       |  |  |                             |             |
|----|---------------------------------------|--|--|-----------------------------|-------------|
| 1. | Population                            | 9.4m                                     |  |                             |             |
|    | Growth rate                           | 0.7%                                     |  |                             |             |
| 2. | GNP per head                          | \$3,440                                  |  |                             |             |
| 3. | GDP real growth rate                  | 4.5%                                     |  |                             |             |
|    | Average 1972-1977                     | 3.8%                                     |  | (UK 1.8%)                   |             |
| 4. | Employment: Total                     | 3.5m                                     |  |                             |             |
|    | Agriculture                           | 34%                                      |  |                             |             |
|    | Industry                              | 29%                                      |  |                             |             |
|    | Services                              | 37%                                      |  |                             |             |
|    | Recorded unemployment                 | 2 $\frac{1}{2}$ %                        |  |                             |             |
|    | (ignore considerable underemployment) |  |  |                             |             |
| 5. | Public Sector. Current expenditure    | 29% of GNP                               |  |                             |             |
|    | Current revenue                       | 29% of GNP                               |  |                             |             |
|    | Budget deficit                        | 70 billion drachmas (approx \$2 billion) |  |                             |             |
| 6. | Trade (1978): Exports                 | 20.2 of GNP                              |  |                             |             |
|    | Imports                               | 24.7 of GNP                              |  |                             |             |
|    | Current account deficit               | \$1,253 m                                |  |                             |             |
|    | Main export markets (%)               |  |  | Main sources of imports (%) |             |
|    | FRG                                   | 18.9                                     |  | US                          | 17.6        |
|    | US                                    | 12.8                                     |  | FRG                         | 16.8        |
|    | UK                                    | 7.0                                      |  | Italy                       | 8.2         |
|    | France                                | 6.2                                      |  | France                      | 7.2         |
|    | Italy                                 | 4.3                                      |  | UK                          | 6.1 (£214m) |
| 7. | Inflation rate                        | 12 $\frac{1}{2}$ %                       |  |                             |             |
| 8. | Composition of Parliament (seats)     |  |  |                             |             |
|    | New Democracy                         | 172                                      |  |                             |             |
|    | Socialists (PASOK)                    | 93                                       |  |                             |             |
|    | Communists                            | 11                                       |  |                             |             |
|    | Other                                 | 24                                       |  |                             |             |
|    |                                       |  |  |                             |             |
|    |                                       |  |  |                             | 300         |
| 9. | Last election - November 1977         |  |  |                             |             |
|    | Next election by November 1981        |  |  |                             |             |