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TO IMMEDIATE FCO

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MS.

PAPANDREOU AT THE EUROPEAN COUNCIL

1. MILAN WILL BE PAPANDREOU'S FIRST COUNCIL AFTER GETTING RE-ELECTED. HE HAS A CLEAR 5% LEAD OVER THE NEW DEMOCRACY OPPOSITION. THE OUTCOME AVOIDS A HUNG PARLIAMENT. IT HAS POLARISED GREEK POLITICS. THE COMMUNISTS GOT UNDER 10% OF THE VOTE. PAPANDREOU HAS A MANDATE FOR FOUR YEARS. BUT GREECE LOOKS LIKE BEING IN ECONOMIC TROUBLE BEFORE THEN (INFLATION, LOW INVESTMENT, UNEMPLOYMENT, BALANCE OF PAYMENTS DEFICIT). THIS COULD WEAKEN HIS AUTHORITY AND FORCE HIM TO GO TO THE COUNTRY BEFORE THE END OF HIS TERM.
2. IN HIS INITIAL POLICY STATEMENTS TO PARLIAMENT PAPANDREOU SAID LITTLE NEW. MORE EMPHASIS ON TACKLING THE ECONOMY. (N.B. BUT WHERE WILL THE MONEY COME FROM?). A DEFENCE POLICY DOMINATED BY THE TURKISH 'THREAT'. MILKING THE COMMUNITY FOR ALL HE CAN. A PLAYING DOWN OF THE ANTI-US RHETORIC BUT A DECLARATION OF INTENT TO REMOVE US BASES. IN SHORT THE GENERALLY EGOCENTRIC ATTITUDE OF A GOVERNMENT WHICH PAYS LITTLE HEED TO THE OBLIGATIONS OF PARTNERSHIP.
3. PAPANDREOU SHOULD BY RIGHTS SEEK OUT THE PRIME MINISTER AND APOLOGISE FOR HIS 'POLICE STATE' REMARK. BUT I DO NOT THINK HE IS THE MAN TO DO THAT. SO HOW SHOULD HE BE HANDLED? THE PRIME MINISTER MAY LIKE TO HAVE IN MIND THE FOLLOWING POINTS. WHETHER WE LIKE IT OR NOT, WE ARE SADDLED WITH PAPANDREOU FOR SOME TIME. WE SHALL HAVE TO DO BUSINESS WITH HIM SEMI COLON OUR MAIN AIM IS TO KEEP GREECE WITH THE WEST. I THINK WE CAN BEST ACHIEVE THIS BY NOT SENDING HIM TO COVENTRY SEMI COLON BY TELLING HIM PLAINLY WHEN WE DISAGREE WITH HIM SEMI COLON BY PUTTING PRESSURE ON HIM THROUGH CONCERTED EUROPEAN ACTION (FOR EXAMPLE OVER ATHENS AIRPORT SECURITY) SEMI COLON BY DEVELOPING OUR BILATERAL CONTACTS WITH GREECE WHENEVER WE RECKON WE CAN GET ADVANTAGE FROM THEM. IN SHORT, TO WEAVE A WEB WHICH DEMONSTRATES TO THE GREEKS THE EXTENT AND REALITY OF OUR COMMON INTERESTS AND WHICH MAKES IT HARDER FOR PAPANDREOU TO GO HIS OWN SWEET WAY. IT WILL BE A HARD SLOG WITH AN AWKWARD AND UNPREDICTABLE MAN.

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4. AT MILAN PAPANDREOU WILL WANT TO BE SEEN AS FIGHTING THE GREEK CORNER. THE GREEKS ARE NOT IN FAVOUR OF AN INTERGOVERNMENTAL CONFERENCE. THEY SEE NO NEED TO AMEND THE TREATIES TO IMPROVE THE DECISION-MAKING PROCESS. THEY ARE OPOSED TO RELINQUISHMENT OF THE RIGHT TO VETO. THEY DISPLAY NO ENTHUSIASM FOR LIBERALISATION OF THE INTERNAL MARKET, AND ARE LIKELY TO COUPLE ANY CONCESSIONS THEY MAKE ON THIS ISSUE WITH INSISTENCE THAT STEPS SHOULD AT THE SAME TIME BE TAKEN TO PROMOTE CONVERGENCE OF THE EC MEMBER STATES' ECONOMIES. THEY DISLIKE FORMALISATION OF POLITICAL COOPERATION AND SEE NO NEED FOR A POCO SECRETARIAT. THEY OPOSE EXTENSION OF THE LEGISLATIVE POWERS OF THE EUROPEAN PARLIAMENT, BUT WOULD BE PREPARED TO EXTEND ITS BUDGETARY POWERS BECAUSE THEY THINK THIS WOULD BE TO THEIR LONG TERM ADVANTAGE. THEY ARE CONCERNED THAT TECHNOLOGICAL INITIATIVES SUCH AS THE EUREKA PROPOSAL SHOULD BE PURSUED WITHIN THE COMMUNITY FRAMEWORK IN THE HOPE THAT THEY MAY DERIVE SOME BENEFIT. I AM AFRAID IT WILL BE A SELFISH PERFORMANCE.

THOMAS

EUROPEAN POLITICAL

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