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GREECE

Socialist Prime Minister Papandreou rode to power in 1981 as a self-styled champion of the "non-privileged," and of a more independent foreign policy. He called for change and offered simplistic solutions to complex problems, but his actions in office have usually been more temperate.

- o Although he pledged to remove US bases from Greek soil and withdraw Greece from the EC because of an alleged US tilt toward Turkey and fear of EC economic domination, he reached an agreement on continued US basing and Greece remains an active EC member.
- o His early economic policies promised radical Socialist solutions, but have since been supplanted with austerity and fiscal restraint. [REDACTED]

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With new elections required by June 1989, Papandreou's government has clearly lost much of its appeal while the opposition has regained its momentum.

- o The Panhellenic Socialist Movement (PASOK) currently is running neck and neck in the polls with its principal adversary, the conservative New Democracy (ND).
- o ND has been unable to turn its improved standing into a "government in waiting" image, however, because it offers no solutions to Greek problems and ND leader Mitsotakis is less popular than Papandreou.

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Relations with the United States are sometimes strained when Papandreou plays to Greek nationalism.

- o In the base talks currently under way, for example, he must reconcile any new agreement with his public commitment to remove the four main US bases.
- o We believe that Papandreou intends to reach an agreement for the continuing presence of the US bases--in large part by portraying them as protection against Turkey--but that negotiations will be protracted until he decides how to play them in an election scenario.
- o Recent threats to close the US airbase at Hellenikon, however, could box Papandreou into closing Hellenikon and refusing to transfer its functions elsewhere in Greece, especially if his party appears headed for electoral defeat. [REDACTED]

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Greek anti-terrorist policy--also a source of friction--derives partly from leftist sympathy for "liberation movements" and partly from its

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geographic proximity to the Middle East and relatively large resident Arab population which make Greece particularly vulnerable to terrorist reprisals.

- o The recent assassination of the US Defense Attache and the attack against a Greek tourist ship threaten Greece's vital tourist industry, and may prompt Athens to toughen its stand against terrorism.

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Greece is particularly sensitive about the triangular relationship between Athens, Ankara, and Washington.

- o Despite this year's warming trend between Papandreou and Turkish Prime Minister Ozal, Greeks of all political persuasions believe Turkey poses their greatest security threat because of Greek-Turkish disputes over Cyprus and Aegean rights.
- o Until recently, the military balance in the Aegean between Greece and Turkey had remained relatively even, and Greece insists that US security assistance be maintained at the current 7:10 ratio in the ongoing base talks to avoid upsetting the balance in Turkey's favor. Athens also insists on a US security guarantee, but we believe that the Greeks will ultimately settle for something less than formal commitments on both, regardless of which party is in power.

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