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TO IMMEDIATE DESKBY FCO

TELEGRAM NUMBER 173 OF 27 MARCH 1985

INFO IMMEDIATE UKREP BRUSSELS, ROME AND BONN

INFO ROUTINE MADRID, LISBON AND OTHER EC POSTS

GREECE AND INTEGRATED MEDITERRANEAN PROGRAMMES (IMPS)

SUMMARY

1. NO SIGN OF GIVE IN THE PRESENT GREEK POSITION OF INSISTING ON A GLOBAL FIGURE FOR NET GREEK ADDITIONAL RECEIPTS FROM IMPS IN THE REGION OF THE 2 1/2 BILLION ECUS ORIGINALLY PROPOSED BY THE COMMISSION. GREEK GOVERNMENT POSITION ENJOYS SUPPORT IN SUBSTANCE ACROSS THE BOARD, THOUGH THE OPPOSITION MAY BE CRITICAL OF TACTICS. THE PROSPECT OF ELECTIONS, WHOSE DATE IS STILL FAR FROM CLEAR, WILL WORK AGAINST FLEXIBILITY ON THE PART OF PAPANDREOU. HE IS LIKELY TO EXPLOIT THIS ISSUE AS ONE ON WHICH PASOK CAN BE SEEN AS DEFENDING GREEK NATIONAL INTERESTS.

DETAIL

2. I HAVE NO REASON TO EXPECT ANY WEAKENING OF GREEK INSISTENCE ON NET ADDITIONAL RECEIPTS UNDER IMPS CLOSE TO THE COMMISSION'S ORIGINAL FIGURE OF 2 1/2 BILLION ECUS. THIS POINT WAS UNDERLINED AT A LUNCH ON 26 MARCH GIVEN BY PANGALOS FOR EC AMBASSADORS.

3. AT THE LUNCH PANGALOS SPOKE ON SIMILAR LINES TO THOSE WHICH HE FOLLOWED DURING THE FOREIGN AFFAIRS COUNCIL ON 21 MARCH (UKREP BRUSSELS TELEGRAM NO. 1079). HE EMPHASISED THAT IT WAS NOT ENOUGH FOR THE GREEKS TO RECEIVE AN ASSURANCE FROM DELORS HIMSELF THAT THEIR VIABLE PROJECTS WOULD BE FINANCED. THE ORIGINAL COMMISSION FIGURE WAS WELL KNOWN IN GREECE. PAPANDREOU WAS COMMITTED TO SECURING ADDITIONAL FINANCE OF THAT ORDER. PANGALOS ALSO STRESSED THAT, FOR THE GREEKS, PARTICIPATION BY THE COUNCIL OF MINISTERS IN ALLOCATION OF FUNDS UNDER IMPS WOULD BE DISASTROUS. THE GREEKS KNEW WHAT HAPPENED WHEN THINGS WENT TO THAT COUNCIL. YEARS OF DELAY COULD BE EXPECTED. HE ALSO REFERRED TO THE NEED TO RECONCILE THE TWO PRINCIPLES OF "QUALITY" AND "NEED".

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4. THE PRESENT GREEK POLITICAL CLIMATE CONTAINS STRONG ELEMENTS OF UNCERTAINTY AND NERVOUSNESS, PARTICULARLY AMONG OPPOSITION AND CENTRE VOTERS, BUT ALSO MORE WIDELY. THE GENERAL ANTICIPATION IS THAT A NEW PRESIDENT (SARTZETAKIS) WILL BE ELECTED BY HOOK OR BY CROOK ON 29 MARCH. THEREAFTER THE PICTURE IS UNCLEAR. LATEST INFORMATION SUGGESTS THAT PASOK SUPPORT MAY HAVE FALLEN BEHIND NEW DEMOCRACY, AT LEAST IN SOME URBAN CENTRES. THIS, IF CONFIRMED, WOULD ARGUE FROM PAPANDREOU'S POINT OF VIEW FOR LATER ELECTIONS (I.E. IN THE AUTUMN). WE CANNOT BE SURE THAT SUCH LOGIC WILL PREVAIL. WE NEED NOT EMPHASISE THE UNPREDICTABILITY OF PAPANDREOU. WE KNOW THAT THERE IS A FEELING WITHIN PASOK THAT NOW IS THE TIME TO GO FOR ELECTIONS AFTER THE DECISIVE STEP OF DITCHING KARAMANLIS. AND MANY OF THE PREDICTABLE PRE-ELECTION HANDOUTS (E.G. INCREASED PENSIONS AND A MORATORIUM ON OUTSTANDING LOANS) HAVE ALREADY BEEN MADE.

5. IN SUCH AN ATMOSPHERE, AND GIVEN HIS PREVIOUS PRONOUNCEMENTS, WE CANNOT EXPECT FLEXIBILITY FROM PAPANDREOU ON AN ISSUE LIKE HMPS WHICH LENDS ITSELF SO EASILY TO ELECTORAL EXPLOITATION. THE IMAGE OF A GOVERNMENT STANDING UP FOR LITTLE GREECE AGAINST THE "RICH AND STINGY" NORTHERN MEMBERS OF THE EC HAS WIDE APPEAL. EVEN THOUGH THE OPPOSITION HAVE CRITICISED GREEK TACTICS FOR THE DAMAGE DONE TO GREECE'S RELATIONS WITH SPAIN AND PORTUGAL, PAPANDREOU WOULD CALCULATE THAT HIS INTEREST (I.E. RETAINING POWER) WOULD BE BETTER SERVED BY PUSHING GREECE'S CASE ON HMPS TO THE EXTREME RATHER THAN BEING SEEN TO CAVE IN. THIS MEANS THAT THE IMPLICATIONS FOR GREECE'S RELATIONS WITH SPAIN AND PORTUGAL IF ENLARGEMENT IS BLOCKED WOULD BE SEEN BY HIM AS OF SECONDARY IMPORTANCE. EVEN IF, AS IT GATHERS NOW LIKELY, OTHER PROBLEMS AFFECTING ENLARGEMENT CAN BE RESOLVED, HE WOULD EXPECT PAPANDREOU TO ACCEPT ISOLATION. HE MIGHT WELL SEE ADVANTAGE IN POSTPONEMENT OF ANY DECISION ON HMPS TO THE JUNE COUNCIL OR EVEN BEYOND THAT.

6. THE KEY POINT REMAINS PAPANDREOU'S PERCEIVED NEED FOR A FIGURE FOR GREEK ADDITIONAL RECEIPTS WHICH HE CAN PRESENT PUBLICLY. THE GREEKS CAN SHOW SOME FLEXIBILITY ON THE DURATION OF HMPS, THOUGH PAPANTONIOU, PAPANDREOU'S ADVISER ON EC MATTERS, TOLD ME ON 26 MARCH THAT THE LONGER THE PERIOD OVER WHICH ANY SUM WAS STRETCHED, THE HIGHER THE SUM WOULD NEED TO BE.

7. THE GREEKS WILL BE RELUCTANT TO ACCEPT THAT HMPS (EVEN IF THE GLOBAL FIGURE FOR GREEK RECEIPTS IS "PRESENTABLE") CONSTITUTE THE FINAL ANSWER TO THE GREEK MEMORANDUM. PAPANTONIOU TOLD ME THAT THE COMMISSION (BURKE) HAD FLOATED A SUGGESTION OF AN ADDITIONAL 600 MILLION ECUS FOR MAJOR PROJECTS TO BE TAKEN FROM THE GREEK

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FIVE YEAR PLAN. THIS PROPOSAL HAD NOT SEEN THE LIGHT OF DAY. BUT IF IT, TOGETHER WITH HMPS COVERING AGRICULTURAL EXPENDITURE AND EXPENDITURE ON INFRASTRUCTURE, WERE APPROVED, THE GREEKS MIGHT FEEL THAT THEIR MEMORANDUM HAD BEEN SATISFIED. (IT IS OF COURSE ARGUABLE THAT, BY SETTING THEIR SIGHTS SO HIGH, THEY ARE SHOWING THEIR INTENTION OF KEEPING THE GREEK MEMORANDUM IN RESERVE IN ORDER TO ARGUE IN FUTURE THAT THE COMMUNITY STILL OWES THEM SOMETHING).

8. AN ADDITIONAL FACTOR WORKING AGAINST FLEXIBILITY IS LIKELY TO BE PAPANDEOU'S TRAVEL PROBLEMS RESULTING FROM THE COINCIDENCE OF THE THIRD ROUND OF THE PRESIDENTIAL ELECTION AND THE BEGINNING OF THE EUROPEAN COUNCIL ON 29 MARCH. PAPANDEOU WILL FLY TO BRUSSELS IMMEDIATELY AFTER THE THE PARLIAMENTARY VOTE BILLED FOR 10.00 HOURS LOCAL TIME. ON THE ASSUMPTION THAT A PRESIDENT IS ELECTED, THE SWEARING IN CEREMONY MUST TAKE PLACE ON THE FOLLOWING DAY (SEMI-COLON) THE PRIME MINISTER MUST BE PRESENT. HE HAVE BEEN TOLD BY THE HEAD OF PROTOCOL THAT PREPARATIONS ARE BEING MADE FOR A CEREMONY ON THE EVENING OF SATURDAY 30 MARCH, PERHAPS AT 1900 HOURS LOCAL TIME. THIS MEANS PAPANDEOU WILL HAVE TO LEAVE RELATIVELY EARLY ON THE AFTERNOON OF 30 MARCH. IF THE DISCUSSION ON HMPS HAS NOT BEEN REACHED, HE WILL LEAVE BEHIND PANGALOS, ROUMELIOTIS (UNDER SECRETARY IN THE MINISTRY OF NATIONAL ECONOMY) AND SIMIOTIS, MINISTER OF AGRICULTURE. ROUMELIOTIS WILL IN ANY CASE SUBSTITUTE FOR PANGALOS IN THE FOREIGN AFFAIRS COUNCIL ON 28 MARCH BECAUSE PANGALOS MUST VOTE IN THE PRESIDENTIAL ELECTION. NONE OF THESE MINISTERS WILL EITHER BE EMPOWERED OR FEEL ABLE TO MAKE CONCESSIONS FROM THE PRESENT GREEK LINE.

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