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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE
PRIME MINISTER OF GREECE, MR. KARAMANLIS, AT 10 DOWNING STREET
ON WEDNESDAY 24 OCTOBER AT 1150

Present

The Prime Minister	Mr. Karamanlis
Mr. J.L. Bullard	HE M. Stavros Roussos
Mr. M. O'D. B. Alexander	HE Ambassador Molyviatis

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Bilateral Relations

*cc PM TOMS
Abroad
Initiations by
Government*

Mr. Karamanlis began the discussion by thanking the Prime Minister for Britain's contribution to the success of the negotiations for Greek accession to the European Community. He was also pleased to learn that the Greek Treaty of Accession was to be ratified soon. It would be excellent news if Britain were to be the first member of the Community to ratify. Mr. Bullard said that ratification was expected in January. The Prime Minister said that she regretted not being able to go to Athens for the signing of the Treaty but that she hoped our promptness in ratifying would make amends. Mr. Karamanlis said that he hoped to receive the Prime Minister in Greece before long. He was owed three visits. The Prime Minister said that despite her great interest in Greek history she had never visited the country.

The Prime Minister said that she was anxious that there should be good commercial relations between the United Kingdom and Greece. Britain was interested in the project for building coal-fired power stations and in selling tanks. Britain's tanks were excellent and their Chobham armour was the best available. The Prime Minister understood that the discussions were going well.

Mr. Karamanlis, having noted that there were no bilateral problems between the two countries, said that he was looking for the best fields in which to develop broader cooperation. The Minister of Coordination would be visiting the United Kingdom

/in mid-November

in mid-November and he would be raising a number of issues:

(a) The Greek Government were planning to build two 350 megawatt coal-fired power stations. This would be a major British investment and the power stations would use British coal.

(b) The Greek Government were negotiating with the Soviet Union about the construction of an alumina plant. They would like to reach agreement with other members of the EEC which had aluminum plants to take the alumina from the proposed Greek plant.

(c) Greece wanted to buy 1 million tonnes of oil in the first few months of next year. The delivery dates in the existing Greek contracts for the supply of oil had slipped and Greece was going to be short of oil in the first three months of 1980. It would be a great help if Britain could supply the missing quantity.

(d) Greece was electrifying and modernising her railway system and there might be openings for British firms.

Mr. Karamanlis said that Greece could make no commitments at present in regard to defence expenditure. The Greek economy was entering a difficult phase and he was not yet quite sure how the situation would develop. But if at a later stage Greece decided to purchase tanks, he would bear in mind the excellent British product. His military experts considered that Britain's tanks were superior to those of anyone else. They were the ones Greece should have.

The Greek Economy

The Prime Minister took note of the points made by Mr. Karamanlis and agreed that they could be discussed further during the visit of the Minister of Coordination. She asked

/about the

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about the difficulties being encountered by the Greek economy. Mr. Karamanlis said that until recently it had been doing well. During the last five years growth had been at the rate of 5½ per cent per annum. There had been a considerable expansion in investment. There was no unemployment. The difficulty was inflation. Before this year, it had been averaging 11 per cent per annum. This year it would be 20 or 21 per cent. Of that 21 per cent, 5 per cent was due to increases in the price of oil and another 3 per cent to the abolition of subsidies on foodstuffs prior to entry into the EEC. Were it not for these two factors, inflation would have been running at the regular rate of around 11 or 12 per cent. Next year he hoped to get the inflation rate down to 14 or 15 per cent. The other major weakness in the Greek economy was the balance of payments. This was running at a considerable deficit at present and the oil price increases had not helped the situation. Although there were favourable counter-balancing factors, e.g. political stability of the country and the fact that it enjoyed social peace, it was necessary for the Government to go very carefully at present. Mr. Karamanlis concluded his account of the internal situation in Greece by saying that in comparison with many periods in the past Greece was now doing very well.

NATO

Mr. Karamanlis said that the difficulties over the reintegration of Greece into NATO had caused him disappointment and given rise to some doubt in his mind about the future of the Alliance. It was the first time to his knowledge that someone had asked for membership and been refused. He had left NATO because of the unhelpful attitude of other members at the time of the Turkish invasion of Cyprus. He had said then that he would reintegrate Greek forces into NATO if NATO helped to resolve the Cyprus problem. NATO had failed to do so but he had none the less asked to be re-admitted. This was the greatest inconsistency in his career and one which had occasioned much criticism at home. The Prime Minister

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said that his decision had been both courageous and wise.

Mr. Karamanlis said that following his decision to rejoin NATO, Generals Haig and Davos had agreed on terms and their agreement had been accepted by the other members of the Alliance as satisfactory. However, it had then been vetoed by Turkey and General Haig had amended the Agreement in a way unacceptable to Greece. Given that it was in Turkey's interest for Greece to rejoin, Mr. Karamanlis found it difficult to understand the absence of any welcome. The present situation of being kept waiting at the door and being offered terms was an insult to the dignity of his country. The Prime Minister said that she fully agreed that it would be in everyone's interest, including Turkey's, for Greece to rejoin and that she understood Greece's reaction to the present situation. Was it the case that the talks planned between General Haig's successor, General Rogers, and General Davos that had ^{been} arranged to take place this month had been postponed? Mr. Karamanlis said that it was true that the talks had been postponed. General Davos was awaiting his return before doing anything further. Mr. Karamanlis did not know what decision he would take when he got back. He had been waiting a long time. The terms originally negotiated between Generals Haig and Davos had been reasonable and moderate. The other members of the Alliance would have to persuade Turkey to accept them.

The Prime Minister asked whether Greece wanted the position to be precisely the same after re-entry as when she had left. Mr. Karamanlis said that some problems had existed at the time of Greece's departure. Greece's status within the Alliance should be exactly the same as previously. The outstanding problems should be discussed after re-entry had taken place. A particular problem related to the control of air space in the Aegean. The Turks sought a settlement linking this issue with other bilateral issues. This was unacceptable to Greece. Defence issues must be kept separate

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from other problems. General Haig's latest proposal was not acceptable - politically, nationally or militarily. The attempt to distinguish between national and international air space over the Aegean, where there were 2000 Greek islands, was impracticable. It simply would not work. When the Alliance was ready to talk seriously, Greece would be ready. But she was not prepared to bargain every day: there were too many leaks. Mr. Karamanlis said that he was a staunch supporter of NATO and intended to persist with his request for re-entry. But he was under pressure to withdraw his request and time was not unlimited. There might be political developments in Greece which would force the withdrawal of the application.

The Prime Minister said that she was glad to have heard Mr. Karamanlis' account of the problem. NATO was essential to the defence of the free world. She was very anxious that it should be solved. A problem for one member was a problem for all the members. Mr. Karamanlis said that it was because he agreed with the Prime Minister's analysis that he wanted Greece to re-enter the NATO military structure. He was not prepared to knock on the door and be rebuffed. It would be more logical for the Alliance to be asking Greece to rejoin and for Greece to be imposing terms. And there was another paradox. NATO had been anxious to save Turkey for the sake of the strength of the Alliance as a whole. To that end the arms embargo had been lifted and a great deal of financial assistance given. But now the allies were allowing Turkey to weaken the Alliance by blocking Greece's re-entry. Turkey should be told to consider the wellbeing of the Alliance as a whole.

Turkey

The Prime Minister asked whether the result of the recent by-election in Turkey would change the situation. Mr. Karamanlis

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said that it was extremely difficult to make predictions about the future of Turkey. The position there was very bad. He regretted this. He could not pretend to have any love for Turkey but unless there was a stable and strong government in the country, Greco/Turkish problems would never be solved. It was not merely a question of instability in the country. There were great political passions and considerable tension. He had (indirectly) urged the Turks to have a general election as soon as possible. There was no sign that they intended to listen. A general election would of course bring great uncertainties but it was the only way to defuse the situation. Failing an election, the only way to control the situation might be for the army to come in. Mr. Karamanlis did not want this but it might happen none the less. He added that in present circumstances the extension of aid to Turkey was a waste of time. No plans could be made. More and more aid would be requested and swallowed up.

Cyprus

Mr. Karamanlis said he had been dealing with the Cyprus question for twenty-five years. He recalled a photograph in Time magazine many years previously under which had been the caption that this was a picture of Mr. Karamanlis "whose hair had gone white over Cyprus". In 1959, to avoid war and to ease relations with Turkey, he had abandoned ENOSIS, a long-held aspiration of the Greek people, and accepted independence for the island. But after his departure mistakes had been made by the Colonels, by Archbishop Makarios and by the United Kingdom. On top of this the Turks had committed a crime. Now the problem was rotting. He could see no way out. The arms embargo had been imposed because of Cyprus and had been lifted in the expectation that Turkey would offer a solution. In the event, the Turks had become more intransigent. Others could express hopes and wishes, but only Turkey could solve the Cyprus problem because it was Turkey that was occupying part of the island.

/The Prime Minister

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The Prime Minister asked about the role of President Kyprianou. She had asked in Lusaka why the Greek Cypriots and Turkish Cypriots could not solve the problem on their own. He had replied that they could but were prevented from doing so by external interference. Mr. Karamanlis said that the Greek Cypriots did not depend on him, but the Turkish Cypriots did depend on Ankara. It was not Mr. Denktash who occupied the islands - it was 30,000 Turkish troops who did so. The occupation had cost the Turks \$2.3 billion. It had given Turkey a bad reputation and earned her condemnation in various organisations. Ankara could both offer and impose a solution. It was in Turkey's interest to heal the wound. But the Turks seemed to have no intention of doing so.

Mr. Karamanlis said that he was not optimistic about the prospects. Problems like that in Cyprus could only be solved by courageous decisions. Petty bargaining would not produce a solution. There had been a number of meetings but after each meeting the participants quarrelled about what they had agreed. There were three major issues:

(a) Territorial - i.e. what part of the island each community should control. Although the Turks constituted only 20 per cent of the population, Mr. Karamanlis said that he would be prepared to see them control 25 per cent or more of the land.

(b) Constitutional - there should be a federal state with a central government guaranteeing the unity of the state and each community should have a large measure of autonomy, e.g. in religious and economic matters. But foreign policy, defence and the federal budget should be reserved for the central government.

(c) Refugees - there were 200,000 refugees in Cyprus.

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There were two ways of solving major political issues. Either one could start with small matters and work down to the fundamental issues, or vice versa. Cyprus required the second approach. Unfortunately, people had talked about everything except the fundamentals. The political courage to tackle those fundamentals did not seem to exist. Pretexts were being sought to avoid solutions. Moreover the West was being inconsistent in its approach to the problem. They focussed on the situation in Cambodia; on the trials in Czechoslovakia; on civil rights in general. But they ignored what had been happening in Cyprus, the plight of the refugees who had lost their homes and the many people still unaccounted for.

Mr. Karamanlis said that he was not hostile to Turkey. But the South East flank of NATO was in a state of disintegration. The Alliance was entitled to ask Turkey to be reasonable in its approach to the problems of the region. The Prime Minister agreed that the area was particularly vulnerable. The Alliance could not afford such weaknesses at a time when Soviet strength was constantly increasing. The situation in Turkey was very worrying. A repetition in Turkey of what had happened in Iran would expose NATO's flank. But it was difficult to know what to do about Turkey so long as they refused their cooperation. The IMF had asked the Turkish Government to put their house in order but they had failed to do so. Mr. Karamanlis said that the Turks did not cooperate with anyone on anything. When the international effort to aid Turkey had been announced, the Turks had said that they had no-one to thank but themselves. Greece sought good relations with Turkey but found no response. After averting war over Cyprus in 1974, Mr. Karamanlis had told the Turks that there were three approaches to the problems of the Aegean: dialogue, arbitration or war. Four years of dialogue and negotiation had produced no result. The Turkish attitude appeared to ignore the existence of the Greek islands. But the Greek Government could not sink the islands in order to please the Turks. Mr. Karamanlis had therefore proposed

/to the Turks

to the Turks that they should go to the International Court of Justice at The Hague. Mr. Demirel had agreed and a joint Communique had been issued. Ten days later he had reneged on the agreement, saying that he had not read the Communique properly. This was not a serious approach to the problem. Finally, Mr. Karamanlis said that he had proposed, in the Greek Parliament, a non-aggression pact. This was designed to give time to discuss the problems of the Aegean calmly. At first the Turks had accepted but on seeing the draft had changed their minds. Mr. Karamanlis said that no doubt the Turks saw matters differently and had their own arguments, but he had presented the matter as he saw it. He was deeply worried by the situation in the region.

The Prime Minister said she was very grateful to Mr. Karamanlis for having set out his views so fully. She agreed about the importance of reaching a settlement with Turkey since this would help to stabilise a region which, given the situation in Iran and Afghanistan, was dangerously unstable and which the Soviet Union would be keen to exploit.

Soviet Union

Mr. Karamanlis said that it was natural for the Soviet Union to try to profit from the West's mistakes. He had just returned from a visit to Moscow and Leningrad. He had gone because of comments which had been made to the effect that Greece was the only Western European country whose Prime Minister had never been to Moscow. He had made it plain, to avoid misunderstanding, that Greece was going as a member of NATO and of the EEC. The Russians had said that they understood this clearly. The only comment they had made about Greece's membership of the Community was that once they were a full member they would, as the weakest and poorest member, be subject to exploitation by the other members!

/The Soviet

At this point, the Prime Minister and Mr. Karamanlis adjourned to take lunch where they were joined by, among others, the Foreign and Commonwealth Secretary, the Lord President, the Secretary of State for Trade and Sir Michael Palliser.

The Soviet leaders had made a persistent effort, throughout his visit, to convince him that they were peaceful, anxious to increase cooperation, and secure agreements in the field of disarmament. They had said that failure to ratify SALT II would result in an escalation of the arms race and that the modernisation of NATO's Theatre Nuclear Forces would have a similar effect. They had been very insistent and very categorical about their good intentions. If he had not known that it was propaganda, he might well have been convinced by their sincerity. However, he had made it plain that he did not accept their arguments. He had asked why, if their intentions were peaceful, the Soviet Government insisted on military superiority. They could not seriously believe that Europe threatened them. The Russians, in response, had professed to be deeply concerned about a Western plan to link the United States, Europe, China and Japan. Mr. Kosygin had said that the Soviet Union was being "encircled". Mr. Karamanlis had argued that Europe was unlikely to seek to help China to become a strong military power since this would eventually create the possibility that China and Russia might combine. Mr. Kosygin had said that this was impossible: China and Russia had both ideological and territorial differences.

Mr. Karamanlis said that the Russians feared China and the Chinese hated the Russians. The Russians were clearly worried about the long-term future, since they knew that the Chinese were very dynamic and strong people. Moreover, the Russians were concerned that if a conflict were to develop in Europe, Japan and China might intervene: China had the population and the room in which to fight, Japan had the technological development. In reply to a remark by the Foreign and Commonwealth Secretary, Mr. Karamanlis said that whether or not the Soviet Union fears that they would be attacked by China were justified, the fears were very real. He himself would be pre-occupied if he were in Mr. Kosygin's place. Mr. Karamanlis noted that the Chinese Foreign Minister had repeated to him only two months previously the standard Chinese claim that war was inevitable and that it would be started by

/the Russians.

the Russians. Everyone else regarded war as unthinkable but the Chinese talked about it every day. Mr. Karamanlis recalled the argument that Chairman Mao had used with Stalin in trying to persuade him that China and the Soviet Union should make war together. Mao was said to have claimed that 300 million Chinese would die in a nuclear war, but that 500 million would be left to conquer the world. The Lord President said that if the Russians genuinely believed they were being encircled, a very dangerous situation would be created since they might be tempted to launch a pre-emptive war. Mr. Karamanlis said that he agreed. It was essential that each side should have a clear view of the other's intentions. Fear was the worst counsellor.

The Soviet Leadership

Mr. Karamanlis said that Mr. Brezhnev was really not functioning. He had referred to his advisers before replying to questions, and again afterwards to make sure that his reply had been the right one. When Mr. Karamanlis had commented on the numerous medals pinned to his coat, Mr. Brezhnev had led him proudly to a table where many more medals were laid out. In answer to the Prime Minister's question about the probable successor to Mr. Brezhnev, Mr. Karamanlis said that the names of Kirilenko and Chernienko had been mentioned, but that the personality which had impressed him most was that of Mr. Kosygin. The Prime Minister recalled that her talk with Mr. Kosygin at Moscow Airport in June had included some frank speaking. Mr. Karamanlis said that this had been true, too, of his own talk with Kosygin in Moscow. He believed that the Russians respected a visitor from the West much more if he made it clear where he stood. Mr. Kosygin had a clear mind, was a fanatical Communist and a tough negotiator, and knew how to get out of difficulties. His prestige was unmistakable: the room had contained four deputy Prime Ministers and seven Ministers, all of whom - including Gromyko - had behaved like pupils in the presence of the headmaster. In answer to the Foreign and Commonwealth Secretary's question whether Mr. Kosygin might not

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succeed Mr. Brezhnev, Mr. Karamanlis said that he was 76 years old and his strength in the Party was hard to judge.

The Balkans

Mr. Karamanlis said that he had been seeking to develop cooperation among the Balkan countries and to increase detente in the area. The Soviet Union had opposed his efforts on the grounds that if the initiative succeeded, the Balkan states might become more independent. He had asked Mr. Kosygin why the Soviet Union (which worked through Bulgaria) was being difficult. Mr. Kosygin had said that the Soviet Union feared that the cooperation advocated by Mr. Karamanlis might result in the creation of a political bloc in the area. Mr. Karamanlis had argued that this was inconceivable given the widely differing political regimes in the various countries. In any case he had argued that the cooperation was limited to technical matters. They could only help the political climate. When Mr. Kosygin had said that in the light of the Greek Prime Minister's explanation he had "no opinion", Mr. Karamanlis had riposted that he should have "no objection".

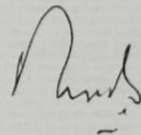
Mr. Karamanlis said he had asked Mr. Kosygin about the situation in Yugoslavia after Tito. Mr. Kosygin had replied that "we wish President Tito to live for another 100 years". Mr. Brezhnev had been more dismissive. In reply to a question from the Foreign and Commonwealth Secretary, Mr. Karamanlis said that President Tito had told him his policies would continue in Yugoslavia after his departure. President Tito had introduced the Yugoslav army into the Party in order to help secure continuity. The army was, of course, very strong throughout Yugoslavia. Mr. Karamanlis said that he would not be at all surprised if President Tito's successor turned out to be the present Yugoslav Defence Minister, General Nikola Ljubicic.

/Human Rights

Human Rights

Mr. Karamanlis said that the West needed to exercise great skill in its efforts to exploit the human rights issue. The West's concentration on this issue was regarded by governments in Eastern Europe as an effort to subvert their system. The Foreign and Commonwealth Secretary remarked that the governments in question had signed the Helsinki Agreement. Mr. Karamanlis replied that the Helsinki Agreement had been a mistake: the Soviet Union had got the guarantee they sought on their frontiers but the West had got little but air in return. The Foreign and Commonwealth Secretary said that none the less there were undertakings in the so-called Basket 3 of the Agreement that were being ignored by Communist governments. Mr. Karamanlis said that relations between East and West were very important for the future of mankind: Western governments should be careful not to focus on what were essential secondary issues.

The discussion ended at 1430.

A handwritten signature in dark ink, appearing to be 'Randy', is located in the lower right quadrant of the page.

24 October 1979