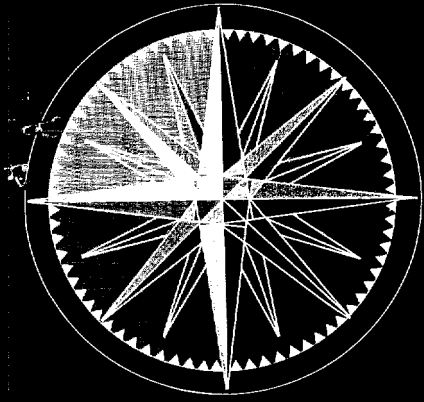


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# SPECIAL REPORT

PAPANDREOU'S FIRST YEAR AS PREMIER OF GREECE

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

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**PAPANDREOU'S FIRST YEAR AS PREMIER OF GREECE**

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The first year in office of the centrist government of George Papandreou has produced marked changes in Greece's political, economic, and foreign policy outlook. [REDACTED]

[REDACTED] some extreme leftist elements have taken advantage of the government's tolerance of dissent and become more active. Papandreou's social welfare and wage support programs have added to inflationary pressures. The Cyprus dispute has destroyed Greece's close military ties with Turkey, and emotional reaction to any unfavorable developments there could upset present political patterns. Uncertainty also surrounds the tenure of and succession to the 77-year-old Papandreou.

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The Center Union Government

The Center Union achieved its present mandate in February 1964 largely because of Papandreou's talent as an orator and the popular desire for a change. He was well known as the premier of a wartime government in 1944, and had participated in several coalition cabinets in the early postwar years. His fortunes were in eclipse while Constantine Karamanlis' right-of-center governments held office from 1955 to 1963, but Papandreou's gift of spellbinding oratory helped the Center Union take advantage of Karamanlis' difficulties and turn the political tables. The Center Union won a plurality of parliamentary seats in the elections of November 1963; two months later the party won 53 percent of the popular vote and 171 of 300 seats--a landslide in Greek politics.

The Center Union is a mélange of formerly separate political organizations whose members represent nearly the entire Greek political spectrum from disgruntled former deputies of right-wing parties to one-time collaborators with the Communists.



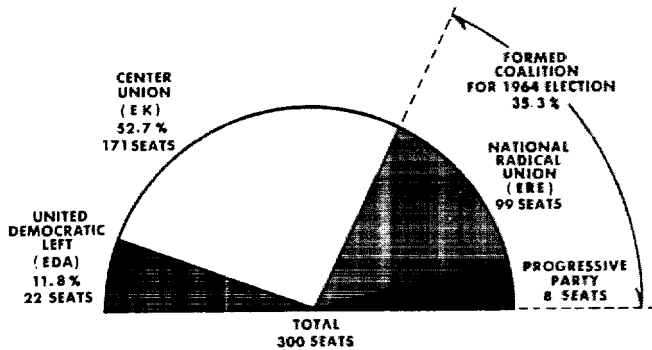
George Papandreou

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**SECRET****PARTY STRENGTHS IN THE GREEK PARLIAMENT**

( PERCENTAGES SHOW SHARE OF POPULAR VOTE IN FEBRUARY 1964 ELECTION )



Its ideological mainstream follows the slightly left-of-center, liberal, and frequently republican tradition in Greece. Although Papandreou has been in undisputed control of the party since the death of party co-founder Sophocles Venizelos just before last year's elections, bitter factionalism is never far below the surface.

The Center Union rode the wave of a growing popular demand for greater personal freedom and social justice and for the relaxation of repressive measures designed to restrict Communism. Papandreou treats Communism as a social problem which can be defeated by eliminating those conditions which nourish its growth.

he has released several hundred "political" prisoners serving terms for crimes committed during the Communist uprising, has restricted police activity against extreme leftists, and has dropped the requirement for loyalty certificates except for members of the armed forces and public services. He has permitted left-

ist demonstrations and "peace marches" such as Karamanlis never countenanced.

The Center Union government has also sought to deal with the more basic causes of economic discontent by redistributing income to the benefit of the farmer and the urban worker. Greece's underdeveloped economy suffers from a lack of natural resources, and agricultural underemployment characterizes rural Greece. Because of the wide divergence in income and job opportunities between rural and urban populations, young people are continually moving to the cities or emigrating to Western Europe in search of work. The government has enacted large agricultural subsidies and promoted substantial wage increases for industrial workers. Papandreou has also taken steps to modernize and expand education.

Succession Issue

The foremost element of instability in the Center Union government is uncertainty as to how long the septuagenarian premier will remain at the head of his party and government. Papandreou appears to be in good health but, in view of his advanced age, a struggle for succession has been under way ever since his government was formed.

At first glance, the most obvious possibility is the premier's son, Andreas Papandreou. A distinguished economist and a US citizen for 20 years, Andreas returned from California

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at his father's urging to run in the 1964 elections. On winning an impressive victory, he was brought into the cabinet as minister to the prime minister. He was subsequently transferred to the post of alternate minister of coordination, presumably to take advantage of his economic talents, but last November resigned in the face of opposition charges of corruption. Even outside the cabinet Andreas Papandreou remains a powerful influence on his father, who may soon bring him back into the government.

At least in foreign policy, Andreas Papandreou exerts a leftist influence. He has been highly critical of US policy regarding Cyprus, and has made no attempt to deny reports that Washington was responsible for forcing his resignation. As a former US citizen he may be overcompensating for his vulnerability to charges of being pro-American. He is rumored to be contemplating offers to take over eventual leadership of a political grouping to be created from among members of the Center Union's left wing and the Communist-front United Democratic Left.

Andreas Papandreou's major rival for Center Union leadership is the able and dynamic finance minister, Constantine Mitsotakis. Mitsotakis has demonstrated astute political acumen in his present position, performing his job competently, permitting no scandals in the ministry, and carefully avoid-

ing intrusion in the affairs of other ministries. He has demonstrated loyalty to the elder Papandreou and has thus far refused to give encouragement to those elements in the right-wing opposition who are seeking a realignment of political parties. His weaknesses appear to be his [redacted] unknown political strength beyond his home island of Crete. Mitsotakis enjoys the support of the Athens daily Eleftheria, which is one of the most influential journals in Greece.

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#### The Army and the Palace

So far, Papandreou has done relatively well in managing relations with two major independent power centers in Greek politics, the army and the palace, which traditionally favor strongly anti-Communist, rightist governments.



Andreas Papandreou

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Senior military leaders closely identified with the Karamanlis regime were quickly purged when Papandreou took office, but those remaining in high position are believed to be only slightly less conservative. Papandreou's defense minister comes from the Center Union's right wing, and appears to be generally acceptable to his military subordinates. Rumors of coup plotting within the army, which were widely circulated before the Center Union came to power, have disappeared in recent months.

Papandreou has also maintained at least proper, and publicly cordial, relations with the palace. Young King Constantine is said to be unhappy with some of the government's policies, but the prime minister's current popularity is sufficient to discourage the palace from any attempt to replace him.

Attack From the Right

Papandreou is facing an increasing barrage of assaults from the only major non-Communist opposition party, the right-of-center National Radical Union (ERE) created by Karamanlis nine years ago. The current party leader, Panagiotis Kanellopoulos, is a scholarly  figure who has held the party together, but failed to inspire his followers. Many are hoping for the early return of Karamanlis from his self-imposed exile in Paris, although this appears unlikely at present.

The passage last month of an EDA-sponsored bill to investigate alleged illegal actions of Karamanlis and two of his colleagues when they were in office has raised the tempo of the political warfare. Kanellopoulos has called for creation of a center-right coalition government. Papandreou has responded by charging that in 1959 the Karamanlis government used police measures to ensure reelection of ERE. Kanellopoulos followed by calling for Papandreou's resignation "lest there be bloody developments," and the premier publicly labeled the ERE a "fascist" organization.

The rapidly mounting tension between the two parties appears to have served Papandreou's purpose of making any coalition between ERE and dissident Center Union deputies a virtual impossibility in the near future. ERE also does not want to press issues to the extent of provoking elections, for all evidence points to the continued popularity of the Center Union.

Leftists and Communists

High on the ERE list of charges against the government is that it has been "soft on Communism."

The Communist Party itself is still outlawed and its leaders and many of its members are in exile in the Soviet bloc. The government has rejected demands to legalize the party and

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Panagiotis Kanellopoulos

permit mass repatriation of the exiles. Nevertheless, the government's relaxation of other anti-Communist measures has led to some increased activity by the extreme left.

On the political scene Greek Communism operates through the United Democratic Left (EDA) party, which holds 22 seats in parliament on the basis of 12 percent of the popular vote. The EDA remains isolated, however. It has failed to make headway toward forming a common front with the Center Union, is being subjected to increasing verbal attack by the prime minister, and, like the two major parties, suffers from internal factionalism.

EDA, however, has made the most of the new freedom of action which it enjoys under Papandreou. New EDA cells and front organizations have been established throughout Greece. EDA

has been particularly successful in rapidly expanding the 30,000-member Lambrakis Youth Organization, named after a left-wing deputy killed under suspicious circumstances when Karamanlis was in power. In addition, the largest organization of university students in Greece came under Communist control in 1964.

While rejecting EDA bids for cooperation, Papandreou faces the continuing problem of keeping the Center Union's own left wing in harness. Shortly after last year's elections, 32 deputies refused to vote for parliamentary officers because the left wing had received short shift, and Papandreou temporarily expelled two of the factions' leaders. This past January he attempted to heal the breach by bringing into the cabinet one of these two leaders, a former Communist collaborator, as minister of interior.

Papandreou's handling of this cabinet change illustrates his approach to the leftist problem. Before making the appointment he removed all significant security functions from the Interior Ministry. When a new labor law permitted leftists to gain controlling positions in the country's largest labor federation, the minister of labor, with an assist from the courts, managed to return the organization to nationalist control. Papandreou has attempted--without much success thus far--to counter the growth of the Lambrakis Youth Organization by starting his own Center Union Youth Movement. He

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has refused to outlaw the Lambrakis Youth Organization, leaving it to the courts to act if the organization violates existing laws.

Economic Problems

The Communists' greatest opportunity probably lies in exploiting Greece's unresolved economic problems. The EDA constantly attempts to increase discontent with the status quo by demanding extravagant reforms. Government economists warn, however, that inflationary pressures may get out of hand unless agricultural subsidies and wages are held in line. So far, Papandreou has been unwilling to risk the political consequences of doing so, while at the same time resisting the EDA's extreme demands.

His domestic economic policies are considered largely responsible for the loss of foreign assets which is causing growing concern throughout the business community. Although official figures for 1964 have not yet been issued, it is generally accepted that foreign assets fell by \$50 million last year--the first decline in six years. This was largely attributable to a failure of capital inflow and invisible earnings, notably tourism, to rise during a year when the country's foreign trade deficit jumped by more than \$100 million. Another year like 1964 would virtually exhaust Greek foreign reserves, which now stand at \$60 million.

Prospects for improvement are poor. Potential foreign investors appear increasingly skeptical over the attractiveness of Greece, partly because of administrative obstacles. With the government apparently in no mood to dampen domestic demand for goods by reversing its wage and subsidy program, imports are likely to continue growing.

Turkey and Cyprus

The problem of Cyprus and its ramifications remains the most intractable problem facing Papandreou. It has not yet had any significant domestic impact beyond providing another subject for attack and counterattack among political enemies, but unsettling international effects may have far-reaching consequences in Greece.

Since early in the crisis the Papandreou government has consistently demanded "unfettered independence and self-determination" for Cyprus--the latter term being equated with union with Greece. Papandreou has countered attacks on his failure to make progress toward this goal with reminders that the unpopular London-Zurich agreements of 1959 were negotiated by Karamanlis.

Privately, Greek officials have indicated a willingness to move toward any solution which can be sold to Archbishop Makarios. There is evidence that Athens has tried to restrain

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the Greek Cypriots on several recent occasions. An estimated 10,000-13,000 Greek troops are on the island, not only to assist the Cypriots against possible Turkish invasion, but apparently also to ensure that Athens retains some control over military events there. Generally, however, Papandreou appears to have been unwilling to engage Makarios in a direct confrontation over the Archbishop's frequent exercises in brinkmanship. Papandreou evidently felt that the record required him recently to assert that "the capital of Hellenism is in Athens, not Nicosia."

By reviving the deep historic animosities, the dispute has virtually ended political and military cooperation between Greece and Turkey. The Turks have tried to force the departure of Greek citizens long resident in Istanbul. Even joint planning for defensive purposes in the NATO context is next to impossible.

Most ominous, however, has been the tendency in Athens, as in Ankara, to look to Moscow for diplomatic support. Prior to the adjournment of the UN General Assembly last month Papandreou's policy was based

on seeking a favorable solution through the UN, and Soviet backing there was considered essential. Athens' emotional reaction to Moscow's seeming switch to the Turkish-favored "federal" solution last December revealed the extent to which this support had come to be counted on. Despite this flirtation and dissatisfaction with US and UK policy, however, the Papandreou government has not altered Greece's basic pro-Western orientation.

#### Outlook

Given the present instability of the Center Union, a disaster on Cyprus could completely upset the existing pattern of Greek politics. Papandreou's failure to make steady progress toward a clear economic goal leaves him vulnerable to a major defeat on such an emotional issue, despite his current personal popularity. His death or serious illness before the succession question is resolved also could lead to the break-up of the Center Union and to a reversion to government by successive unstable coalitions as during the immediate postwar period, which would allow the Communists to break out of their present isolation. (SECRET)

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