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96

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5 November 1974

MEMORANDUM

SUBJECT: The Greek Elections

Principal Conclusions

Prime Minister Karamanlis will win this month's election; the size of his victory will determine how flexible he can be on Cyprus, NATO, and in relations with the US.

If he does not gain an outright majority in parliament, he will form a coalition government with the Center Union-New Forces led by George Mavros. Such a coalition government would be much like that which took over this summer when the military stepped down.

Popular discontent with seven years of military rule, plus anti-American sentiment over Cyprus, provide the left wing with promising terrain to exploit; but the left is split between Andreas Papandreou's Panhellenic Socialist movement and the United Left. They nonetheless may take up to one third of the national vote, with 20 percent going to Papandreou and 10-12 percent to the United Left. The left therefore will be a vocal factor in the new parliament.

Right wing forces seem unlikely to win more than 10 percent of the vote. Although pro-junta forces cannot be discounted as potential perpetrators of a coup against Karamanlis, they probably lack sufficient support in the army to bring Karamanlis down. This could change should the army eventually conclude that the government was drifting too far left or that there was a danger of Papandreou gaining power.

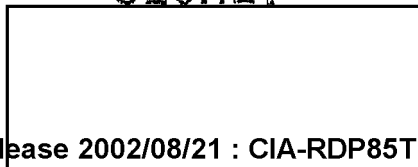
The Greek economy, although still troubled by a combination of inflationary pressures and balance of payments problems, does not pose immediate problems for Athens; to a certain extent, the Karamanlis government will continue to benefit from the effects of the austerity program instituted by the junta in 1973.

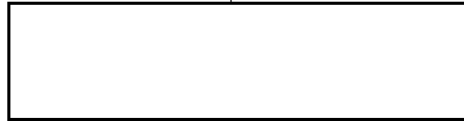
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A Karamanlis-led government will not accept a solution on Cyprus that does not include some satisfactory resolution of the Greek Cypriot refugee problem; failing that, it would rather have no solution at all.

Athens is in an ambiguous holding action as far as military participation in NATO is concerned. Given progress on Cyprus, Karamanlis would probably eventually rejoin the military side of NATO. In the absence of a settlement, he might move further away, but not irrevocably.

Although Karamanlis can be expected to try to improve relations with the US, the public relationship will remain correct and businesslike in the absence of a Cyprus settlement. The Greek-Turkish dispute over sovereignty in the Aegean may also influence the Greek attitude toward the US and NATO, and Karamanlis probably would hope for backing from the US and other NATO countries should the going get very rough with Turkey on this question. In any case, Athens will continue its attempts to expand economic and political relations with Western Europe as insurance against further deterioration in Greek relations with the US.

* * * * *

1. Greek voters go to the polls on November 17 in the first parliamentary election in 10 years. No one knows for sure what effect seven and a half years of military dictatorship will have on the electorate, nor to what extent the trouble on Cyprus and in relations with Turkey will rally the voters around the commanding figure of Prime Minister Karamanlis. The old political parties are in disarray and the new ones are just staking out their territory. The election is taking place under such unique circumstances that the traditional patterns of voting -- heavily influenced by patronage and family ties -- may not apply. Estimates of the outcome are necessarily tentative, particularly in the absence of scientific polling.

2. The new parliament is empowered to revise the constitution. If Prime Minister Karamanlis gets an absolute majority of seats, he will be able to tailor the constitution to his needs -- setting up either a strong presidency or a strong prime ministership. If Karamanlis does not do sufficiently well in the election, there will be much political infighting over the form of the constitution and the nature of the governing coalition.

- 2 -

SECRET



25X1

3. The election is to be followed within 45 days by a referendum on the monarchy. The parties of the center and left oppose a return to the monarchy. Karamanlis has avoided taking a stand on the issue and without his support, the vote is not likely to re-establish the monarchy.

The Probable Outcome

4. Karamanlis' conservative New Democracy party is expected to win at least a plurality of votes in the elections. It may win a majority, but despite public statements to the contrary, Karamanlis and his aides are not confident at this point that they will be able to do so.*

5. A majority government under Karamanlis would be more flexible on Cyprus and more favorable to US and NATO interests than would a coalition, which would be forced to strike a compromise between differing personalities and policy views. The chances of Greece re-entering the military side of NATO would be best under a strong Karamanlis government.

6. Should Karamanlis fail to gain control of parliament, he will probably form a coalition government with the Center Union-New Forces led by former foreign minister George Mavros. Such a government would be similar in orientation to the one that took office last July when the military stepped down. There are few major ideological differences between Karamanlis and Mavros. They used to differ on the monarchy, with Mavros favoring a republic and Karamanlis, the King. The Prime Minister has changed his mind on the issue, however, and is taking a neutral stand on the return of the King. Mavros also favors harsher measures against individuals who collaborated with the military regimes than does Karamanlis.

7. Mavros, however, has been less pragmatic than Karamanlis regarding Cyprus and more favorable to the return of Archbishop Makarios to the

* Political manipulation of the electoral laws is an important part of Greek politics. Under the present reinforced proportional representation law, drawn up in 1963 under a Karamanlis government, it is possible to win an absolute majority of seats in the 300-member parliament without a majority of the popular vote. The law favors large parties and works against small parties and coalitions. To enter the second distribution of seats, individual parties must win 17 percent of the votes, two-party coalitions 25 percent and three-party coalitions 30 percent.

- 3 -

SECRET

25X1

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island. He has also been more critical of the US and more insistent that the Greek withdrawal from NATO is irrevocable. Mavros' policy statements are often erratic, reflecting his personality, political ambitions, and the need to make concessions to the left wing of his party.

25X1 8. [redacted] Karamanlis was dissatisfied with Mavros' performance as foreign minister and might replace him in a future cabinet. Mavros, however, has told Ambassador Kubisch that he and Karamanlis have already agreed on a post-electoral coalition irrespective of how well New Democracy does in the elections. We suspect that the purported agreement between the two is not so firm as Mavros portrays. Nonetheless, although Mavros might be a little difficult for the US to live with, a Center Union-New Democracy coalition would provide a stable and effective government which would keep Greece on a pro-West course and act responsibly on Cyprus and in the Aegean.

9. Such a government would try to avoid a Cyprus settlement which required Greek acceptance of the fait accompli brought about by Turkish military actions on Cyprus. If faced with such a prospect, it would prefer no settlement at all. An honorable settlement for the Greeks would involve some increase in the present distribution of land and wealth held by the Greek Cypriots, some withdrawal of the Turkish army, and the return of a significant number of Greek Cypriot refugees to the Turkish-controlled area. A Karamanlis-Mavros government would probably accept that some form of bi-regional federation is inevitable.

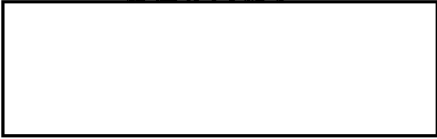
The Political Setting

25X6 10. Greek politics have traditionally been characterized by a multiplicity of parties. These parties have usually been clusters around [redacted] rather than parties based on programs, philosophies or socio-economic interests. Of the 19 parties competing in next month's elections, the most important are Karamanlis' New Democracy and Mavros' Center Union-New Forces.* The nucleus of Karamanlis' party is the

* The large number of parties is somewhat misleading. The election hinges essentially on five political groupings:

- New Democracy: Konstantinos Karamanlis' conservative group.
- Center Union-New Forces: Georgios Mavros' centrist group.
- United Left: a temporary alliance of three Communist groups.
- Panhellenic Socialist Movement: Andreas Papandreou's radical left group.
- National Democratic Union: Petros Garoufalios' right wing anti-Communist group.

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conservative National Radical Union (ERE) which won a majority in parliamentary elections in 1955, 1958 and 1961. This was the party of the economic and political establishment until it was outpolled by the centrist, more progressive Center Union in 1963 and 1964. The Center Union won a clear majority of the vote in 1964 but was badly split a year later when over half the deputies left to form another party. The Center Union never became much more than a loose amalgamation of personally oriented groups, organized to oppose the predominant influence of the military, the Palace, and the political right. The "New Forces" group, which has joined the Center Union for the election, is a collection of prominent personalities, all relatively young and moderately liberal, who were associated with resistance to the juntas. Many of them had been in the left wing of Center Union prior to the military coup in 1967.

11. The parties that will compete in the elections are just beginning to announce slates of candidates and stake out positions on the issues. Because of the circumstances under which Karamanlis came to power, his prestige and popularity are high. Many view him as a necessary transition figure between military dictatorship and civilian rule and as the only leader who can forge sufficient national unity to deal with such sensitive issues as Cyprus and relations with Turkey. Karamanlis is also helped by the reinforced proportional representation electoral law, which favors larger parties.

12. All parties except New Democracy have criticized the timing of the elections, claiming that it does not allow them time to organize. Leftist Andreas Papandreou has denounced the elections as an "electoral coup" designed to prevent the left from making a good showing by depriving it of time to prepare. An early election works to Karamanlis' advantage as he is still riding the crest of a wave of popularity caused by the return to civilian rule.

13. Karamanlis' New Democracy slate includes 288 candidates, 194 of which are political debutantes. The New Democracy candidates are drawn from a broad spectrum of society, but the large number of political newcomers and unknowns would probably be a drawback in an election not held under crisis conditions. Breaking into Greek politics has always been difficult and the Greek voter is usually more influenced by traditional and patronage-related considerations than by programs or new faces. When the names of the candidates are published, however, it may well be that the

- 5 -

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list in each of the 56 electoral districts will in fact be headed by well known figures with the new faces lower on the list. Karamanlis is an old political pro, and it is probable that he knows what he is doing on this score.

The Left

14. The left is likely to benefit in some ways through reaction to seven years of military rule. Popular discontent with the military governments has coincided with an increase in interest in Marxism among many Greek university students. Demography and political psychology suggest that the electoral base for the left may have broadened in the past decade. The cities now contain half the population, up from a third only a decade ago. Unions are weak, but there are more industrial and blue collar workers who are potential conscripts for the left. Anti-NATO, anti-American, pro-EC, pro-neutralist, and pro-domestic reform slogans appear to evince considerable popular response. Overall, the left has a promising terrain of national sentiment to exploit.

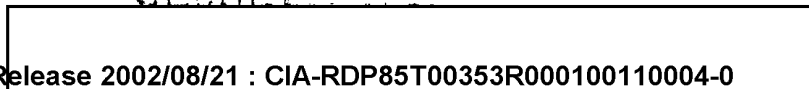
15. The Communist left was electorally tested in 1949 when 12 percent voted for the extreme left. During the subsequent two decades, when communists were forced to merge politically with the communist-front EDA, that party's vote ranged from 12 percent to 25 percent in national elections (12 percent in the last elections held in 1964). The 25 percent vote in 1958 was an aberration and the traditional strength of the Communists -- still discredited for their role in the civil war -- has been between 10-15 percent.

16. The left is now split between Andreas Papandreou's Panhellenic Socialist movement and the United Left. The latter grouping embraces the Moscow-backed Greek Communist Party (KKE-exterior), the dissident Communist Party (KKE-interior), and the communist-front United Democratic Left (EDA). The Moscow-backed party probably joined the alliance, which is not likely to last beyond the elections, as a result of Soviet pressure and financial inducement. The Soviets reportedly have given that party, legalized for the first time in more than a quarter of a century, more than \$2 million for its election campaign.* A unified campaign by the United Left alliance will enable it to exploit the government's policy of giving equal time on national radio and TV to all major political groups. The United Left expects to lose votes to Andreas Papandreou, and by its own assessment -- with which local



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- 6 -

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observers agree -- the United Left will probably not get more than 10-12 percent of the vote.

17. Andreas Papandreou, probably the most feared and controversial figure on the Greek political scene, is trying to carve out a constituency between the Communist left and the Center Union. But in many respects he is more radical than the Communists, who are eager to appear respectable and who thus have been circumspect in their behavior. Papandreou's ideology -- intensely nationalist, militantly anti-American, anti-NATO, neutralist and vaguely socialist with a large dose of expediency -- is ambivalent enough to attract a diverse constituency. Because his views are considered extreme, both the right and center think they must head him off.

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[REDACTED] Much depends on his ability to attract support from the left wing of the Center Union, which he had so far not been able to do. His campaign has gotten off to an unimpressive start.

The Army and the Extreme Right

18. Certain elements within the army are dissatisfied with the policies of the Karamanlis government, especially the legalization of the Communist Party and the ongoing purge of individuals who supported the military juntas. Some of these elements will support the right-wing anti-Communist National Democratic Union (EDE) led by Petros Garoufalios. Although the party is unlikely to get even 10 percent of the vote, any votes it does pick up will be drawn from Karamanlis' conservative constituency, the army, and former supporters of the junta. Although monarchist, EDE has avoided taking a stand on the return of the King.

19. Other discontented army elements will inevitably turn to coup-plotting but, for the time being, they seem to have adopted a wait and see attitude. The embassy's most recent estimate is that the junta forces, although still a factor that cannot prudently be discounted, do not have the necessary supporting base in the army to bring down Karamanlis. A prolonged period of stable rule under Karamanlis could lead to increased civilian control over the highly politicized army and a lessened threat of military intervention. Should the army eventually conclude that Karamanlis is being too lenient toward the Communists or allowing the kind of political climate to develop which could lead to the assumption of power by a leader like Andreas Papandreou, the danger of another military intervention would increase.

- 7 -

SECRET

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Economic Situation and Outlook

20. Under the junta, the Greek economy experienced six years of extremely rapid real growth -- averaging 8.6 percent annually -- but it overheated severely in 1973. Consumer prices shot up by 30 percent while the chronic trade deficit almost doubled to \$2.4 billion.

21. Faced with these mounting problems, the government imposed an austerity program late in 1973. The economy responded quickly, with industrial production falling 11 percent from January to June. The rate of inflation slackened at the same time, and in the second quarter some improvement was observed in the balance of payments -- despite the impact of higher oil costs.

22. Just before its ouster, the junta decided to begin easing restraints. This policy was implemented by the new civilian government. The Cyprus crisis diverted men into the armed forces, delaying a production comeback, and disrupted the important tourist industry, but did not fundamentally alter the economic situation.

23. Some further policy easing -- particularly of credit restraints -- is likely by year's end. Industrial production should begin a recovery, if it has not already done so, but probably will not equal its previous peak during the next six months. Real GNP growth this year will be close to zero but should recover substantially in 1975. Inflation and the external payments situation meanwhile have shown further improvement: a 10 percent inflation rate -- one-third that of 1973 -- is possible for the year, while the current account deficit may be held slightly below last year's \$1.2 billion. Foreign loans needed to cover this deficit have already been obtained.

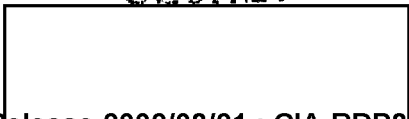
24. In sum, the economic situation does not pose immediate problems for Athens, and to a certain extent the Karamanlis government is benefiting from the effect of the austerity program instituted by the junta.

The US and NATO

25. At the height of the recent wave of anti-US feeling caused by what the Greeks perceived as Washington's failure to stop the Turks on Cyprus and its support of the former juntas, Karamanlis wryly remarked to an American official that he was the "last pro-American" in Greece. Given a working majority in parliament he can be expected to try to improve relations with the US, particularly if he can portray the US position on

- 8 -

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such issues as Cyprus in a positive light. Should the situation on Cyprus worsen, he would try to put increased pressures on the US. In the absence of a Cyprus settlement, public relations with the US will probably remain correct and businesslike. Prior to the elections, Karamanlis may make another gesture against NATO or US installations designed to show his independence but it is unlikely to be a significant one.

26. Greece is in an ambiguous holding action as far as its military participation in NATO is concerned. It has announced its intention to withdraw from NATO's integrated military structure but has done little to implement it. While Greek representatives in Brussels do not attend meetings of the Defense Planning Committee and the Defense Review Committee, they do participate in meetings of the Military Committee and continue to discuss infrastructure matters. Behind the scenes they keep themselves informed on developments in meetings from which Greece has absented itself. Athens has announced its intention to send a representative to the next Nuclear Planning Group ministerial meeting. Greece has never threatened to leave the political side of NATO, and George Mavros has indicated a desire to be honorary president of the next spring's ministerial session of the North Atlantic Council.

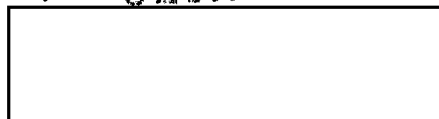
27. A Greek foreign ministry official has told the US embassy that -- at Karamanlis' request -- he is currently drawing up a list of possible steps Greece might take to implement its withdrawal from NATO. He asked if the US government had an input to add. From the suggestions that the official made -- that the US might make a gesture by reducing its military installations somewhat -- it appears that the Greeks are casting about for a visible gesture that would mollify Greek public opinion without irrevocably damaging its relations with the US.

28. Other officials have implied that decisions on NATO and US bases will be deferred until after the elections. Defense Minister Averoff has publicly hinted that, given satisfactory progress on Cyprus, Greece might rejoin NATO. Failing such progress, Karamanlis might move further away from NATO, but not irrevocably so since he needs the US and would continue to hope that the US would promote a better outcome on Cyprus; he is more likely to remain in the present holding action for some time.

29. The continuing Greek-Turkish dispute over sovereignty in the Aegean may also influence the Greek attitude toward the US and NATO. Karamanlis probably would hope for backing from the US and other NATO

- 9 -

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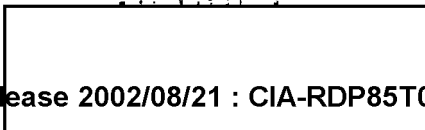
countries should the going get very rough with Turkey on this question. Strong governments in Athens and Ankara might be able to resolve their differences over the Aegean in the context of a Cyprus settlement, but negotiations would be long and difficult in any case.

30. Whether or not relations improve with the US, Athens will continue to strengthen its ties with France, Germany and the European Community. Relations with Europe had been frozen in the seven years of military rule, and with the return of a civilian government, a thaw was to be expected. The bad turn in relations with the US made the "European option" even more important to Athens as insurance in case relations with the US do not improve significantly. For their part, France, West Germany, and the other EC members hope to reciprocate Greek interest in a closer relationship, both through bilateral and EC channels. The development of the "European option" is limited, of course, by the requirement for the EC members to maintain some balance between Greece and Turkey (both EC associate members) and by the level of Greece's economic development which precludes immediate full membership in the EC. The extent to which Greece receives support from the European countries, however, will influence, though it would not guarantee, the longer-term survivability of moderate policies in Greece.

- 10 -

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