



**Director of
Central
Intelligence**

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Renegotiation of the Greek Base Agreement



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Special National Intelligence Estimate

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*SNIE 29.1-87
November 1987*

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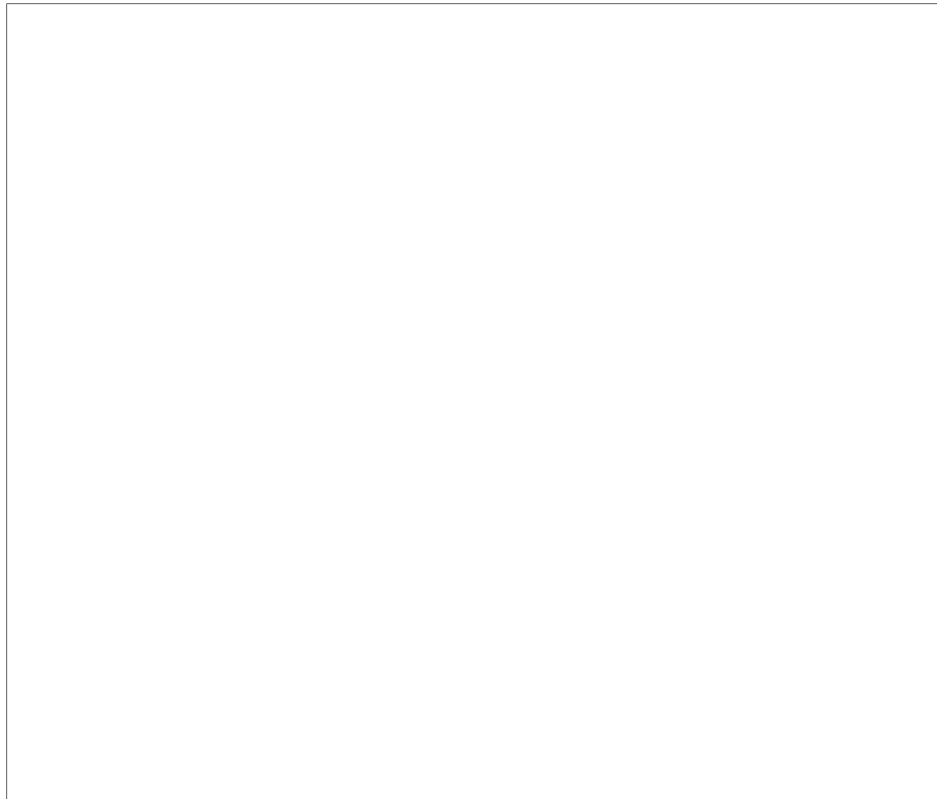
THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organization of the Department of State.

Also Participating:

The Deputy Chief of Staff for Intelligence, Department of the Army



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SNIE 29.1-87

**RENEGOTIATION OF THE
GREEK BASE AGREEMENT**



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Information available as of 19 November 1987 was used in the preparation of this Estimate, which was approved by the National Foreign Intelligence Board on that date.



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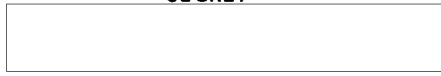
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KEY JUDGMENTS

Athens will agree ultimately to a new base agreement allowing the United States to retain facilities in Greece. Three factors all but compel the Greeks to do so: security against the perceived Turkish threat, the need for US military assistance, and the significant economic benefits derived from the US presence.

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Greek attitudes in the negotiations will be driven by fears of Turkey and domestic political considerations. Papandreou will have to balance the need for a continued US presence—as a deterrent to possible Turkish aggression—with considerable domestic opposition, particularly on the Greek left, to the US military presence. He must also satisfy critics on the right, who will demand that he drive a hard bargain.

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The domestic environment has changed since the 1983 negotiations. Although Papandreou is again the key player, he will be weaker. His party is sliding in the polls. The principal variables, however, are the promised national referendum on US bases and the prospect of national elections, which must be held by June 1989. We are not likely to know the timing and sequence of these two events for some time; Papandreou will make those decisions in the light of domestic politics and progress of the negotiations.

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A perceived threat from Turkey will be Greece's paramount external concern in the negotiations:

— In Greek eyes, the US presence provides a deterrent against Turkish attack and a means of preventing a further US tilt toward Turkey politically and militarily.

— Greece will seek assurances against the perceived Turkish threat

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Greece needs the United States—not only for the vital security relationship, but also for the economic advantages accrued through security assistance, investment, and tourism. Whatever his personal

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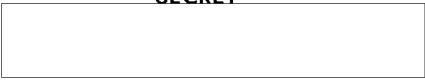
reservations, Papandreou appears convinced of the importance of the US presence. His only real bargaining chip is his ability to threaten closure of the US bases:

- The Greeks will almost certainly *not* demand the closure of all US bases, but they may push for a symbolic closure of Hellenikon, since its proximity to Athens makes it highly visible.
- There is no indication that Greece will demand “dual flagging” or conversion of the bases to NATO command.
- Unforeseeable events—such as Papandreou’s death or a new crisis in the Aegean or Cyprus—would fundamentally alter the negotiating environment in ways impossible to predict.



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DISCUSSION

Why Renegotiate Now?

1. The 1983 Agreement on Defense and Economic Cooperation (DECA) between Greece and the United States will expire on 31 December 1988. Article XII of the *Greek text* of the DECA states that the agreement *terminates* after that date (the US text uses the word *terminable*). The agreement requires notification of termination within five months of expiration and allows the United States 17 months to vacate the facilities. The Greek Government has already informally signaled the United States of its intention to terminate and negotiate a new agreement, instead of extending the current agreement. Formal notice of termination could be given in July 1988. Unless otherwise agreed, the bases would have to be completely withdrawn within 17 months of termination, that is, by 31 May 1990 if a new agreement has not been reached.

The Strategic Importance of US Bases in Greece

2. The United States has a continuing interest in maintaining military facilities in Greece. The first bilateral defense agreement was signed in 1953, when Greece entered NATO, and there has been a US military presence ever since. Geography makes Greece the ideal location for Air Force cargo and passenger links to the eastern Mediterranean, Middle East, and Southwest Asia and for naval operations in the eastern Mediterranean and Aegean, backstopping defense of the Turkish Straits. Soudha Bay in Crete affords a sheltered, deepwater harbor large enough to meet Sixth Fleet needs, central to the eastern Mediterranean and removed from civilian activities.

3. Greek basing of US forces and activities contributes to the security of NATO's southern flank. It provides NATO regional connectivity within the Allied Forces Southern Europe (AFSOUTH) area of responsibility, defense of NATO lines of communication in the Aegean and eastern Mediterranean, and a visible reflection of NATO's commitment to the region. US air and naval stations are used for day-to-day

reconnaissance of the Soviet fleet in the Mediterranean,



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Which Facilities Are Covered?

4. There are four major facilities in Greece that are covered by the DECA. These facilities serve primarily US defense needs:

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— *Hellenikon Airbase*, located adjacent to the international airport in Athens, supports a variety of US and NATO operational, logistic, administrative, requirements in Greece and the Middle East. The US Air Force's Military Airlift Command (MAC) supports US forces in Greece through Hellenikon providing en route support to strategic airlift operations during regional contingencies. Wartime contingency plans call for stationing of NATO rapid reaction aircraft at the airbase.

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— *Naval Support Activity, Soudha Bay, Crete*, provides storage facilities for US petroleum, oil and lubricants (POL), and for US munitions. The United Kingdom and Greece also use this facility. The airfield supports extended maritime patrol operations in the eastern Mediterranean and serves as the primary divert field in the eastern Mediterranean for carrier-based tactical aircraft.

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— *Iraklion Air Station, Crete*, on the threat of hostilities in the Middle East. It also provides advisory support for US reconnaissance missions conducted in the region.

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— *Naval Communications Station, Nea Makri*, north of Athens, provides command and control, logistic, and administrative communications support to US naval forces and commanders afloat in the Mediterranean, Black, and Ionian Seas and the Persian Gulf. It also provides weather and safety broadcasts for

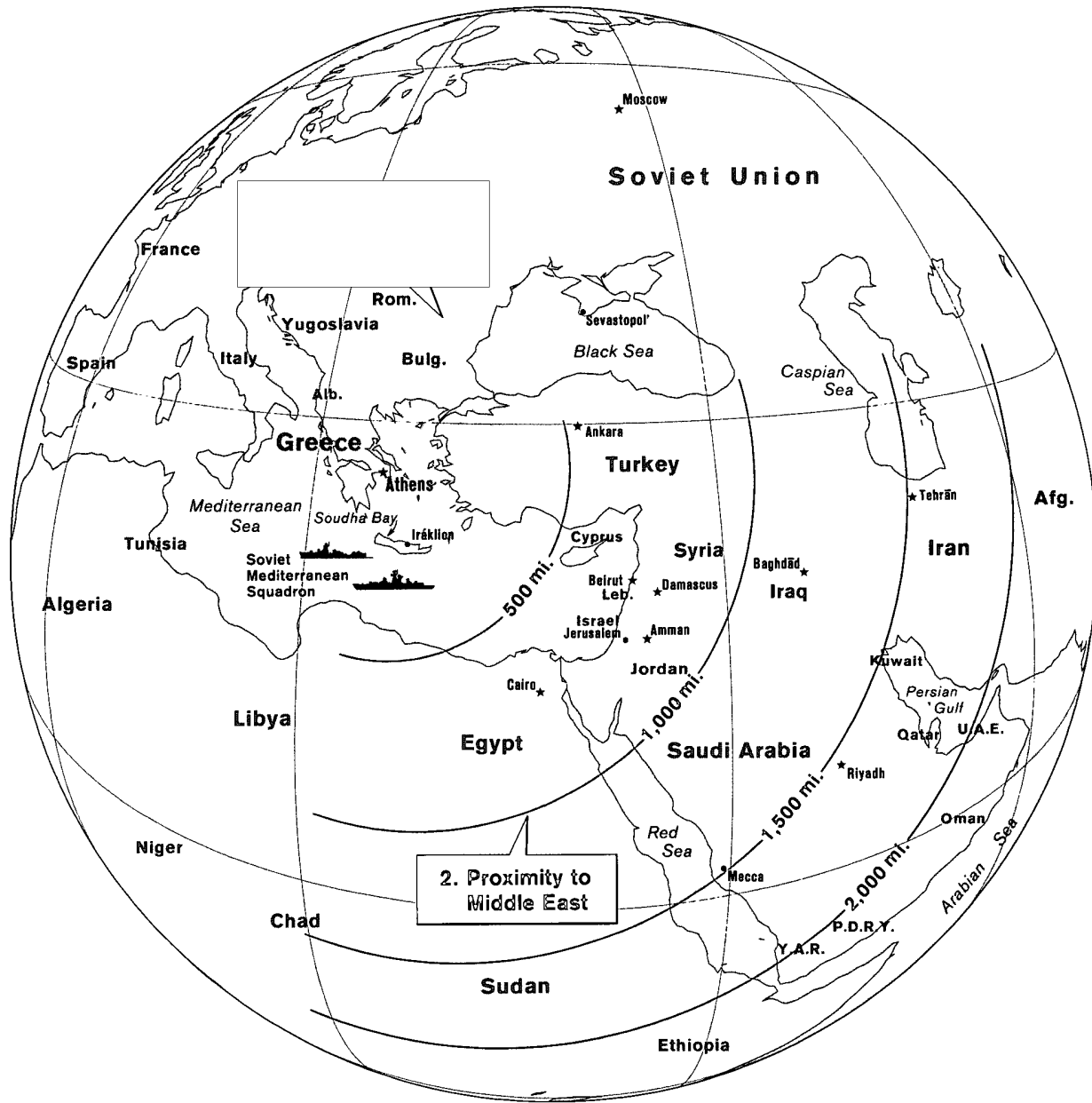
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Figure 1
The Strategic Importance of Greece



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US merchant ships.

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even to the point of appearing to have broken off the talks. He appears convinced, however, that retaining the US bases is to Greece's advantage, particularly as a guarantee against the perceived threat from Turkey.

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5. US use of military facilities in Greece has generally been justified as furthering NATO objectives. However, the United States several times has requested use for out-of-area purposes. Greece granted permission to use the facilities to resupply Israel in 1967 but turned down a request for similar use in 1973. Recently, Greece has expressed concern about the use of Soudha Bay for refueling US and West European warships on the way to the Gulf.

9. Elections always have been fairly close between New Democracy and PASOK and are likely to be even closer the next time around. Papandreou probably can keep the PASOK left wing behind him—they have nowhere else to go—but he probably worries about retaining centrist voters. The latter essentially want a base agreement, but want tough terms regarding Greek security interests.

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The Negotiating Environment

Greek Domestic Affairs

6. There have been three sets of bilateral defense negotiations with Greece since the fall of the junta in 1974. This will be the second round with the Pan-Hellenic Socialist Movement (PASOK) government of Andreas Papandreou. Though still considerable, the level of anti-Americanism in Greece, which was engendered by a perception of US support for the junta, is no longer the dominant public issue that it was; and Papandreou has softened his campaign promise to eliminate the bases from Greek soil. Thus the negotiating atmosphere is different from that in 1983; in particular, Papandreou has been weakened by a series of scandals and by the unpopularity of his economic austerity program.

10. *Referendum.* As his chosen means of finessing his 1981 promise to eliminate the US bases, Papandreou promised in a speech to Parliament last May to put any agreement to a popular referendum. By obtaining popular consent for the agreement, the Prime Minister hopes to mute objections from the left wing of PASOK and the Communists, who are unalterably opposed to the bases. Papandreou is clearly counting on the conservative New Democracy Party for support in the referendum and probably believes he can sway sufficient numbers of PASOK voters to achieve a majority. The timing and form of the referendum is up to Papandreou. He also has announced that any agreement would be submitted for review to a special PASOK committee.

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7. The Papandreou government retains a parliamentary majority, albeit somewhat smaller than at the time of the 1983 negotiations. In the 1981 and 1985 elections, PASOK achieved its majority with the cooperation of the Communist Party (KKE) and independent leftists. It will almost certainly seek similar support in the next election. Papandreou is compelled by electoral imperatives to maintain his leftwing support. Although Greek confidence in political parties has declined and though Papandreou's popularity is beginning to slip, a recent poll showed that Papandreou remains the most popular politician in Greece.

11. Papandreou has several options for timing the referendum and the general election. It is impossible to predict which he will choose; that decision will probably be made only after the negotiations are under way and he has a sense of how they are going and how they mesh with his own political agenda. One option is to hold the referendum and call a general election soon thereafter, using the spillover of a potentially successful referendum campaign to his benefit in the election. Another is to hold them simultaneously, or even call the election a referendum itself. A third option is to suddenly call off the negotiations, declare them unsuccessful, and take advantage of leftist satisfaction with this eventuality to win a majority in snap elections. With a renewed majority in his pocket, Papandreou might be inclined to reach agreement on the bases, objections from the left notwithstanding. This option would obviate the need for a referendum.

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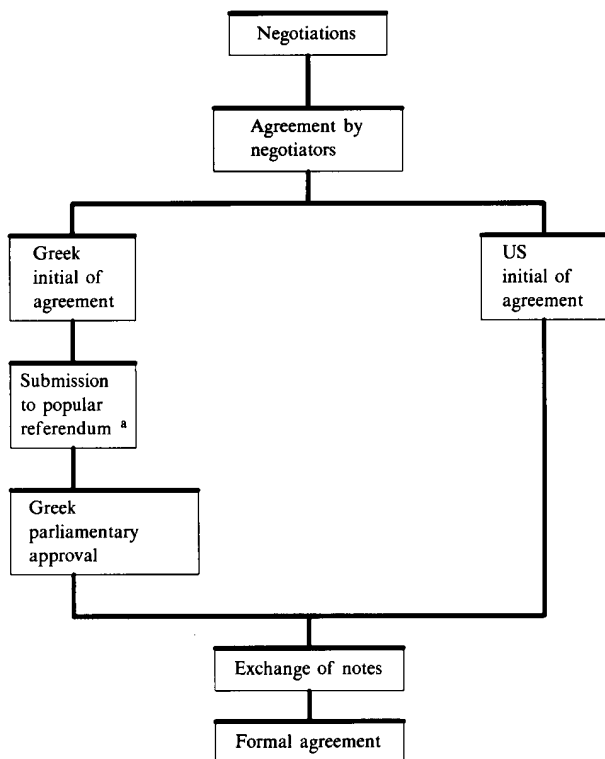
8. *Impending Elections.* The most important element of the Greek negotiating environment may well be the prospect of national elections, which must be held by June 1989. The best predictions are that Papandreou will wait until the spring of 1989 to call the election, but nothing would prevent his calling a snap election at any time. He is likely to manipulate the negotiating process to produce political advantage,

12. *Public and Party Opinion.* Greek public opinion about the bases is divided and tends to reflect the way the question is put. A May 1987 poll held in the greater Athens area shows that only 40 percent of the

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Figure 2
Steps Toward an Agreement



^a Papandreou may decide not to hold referendum.

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respondents supported retention of the US bases. However, when the bases were associated with Greek national security, 63 percent favored keeping them. In October 1987, the same pollster found that only 48 percent of respondents in the greater Athens area wanted the bases to stay even if they served Greek national interests.

13. Among the various political parties, there is also division of opinion on the bases. The conservative opposition New Democracy is generally supportive of the bases, but in the proposed referendum it would face the dilemma of supporting a major Papandreou foreign policy accomplishment or voting against a US presence it otherwise supports. The KKE, is absolutely opposed to the presence of US bases and cannot be expected, even for tactical reasons, to support any negotiated agreement.

14. In order to win a referendum, Papandreou must capture centrist votes and maintain broad support within PASOK. In October 1987 only 58 percent of PASOK supporters wanted the bases to stay if this were in the national interest. Interestingly, 67 percent thought that in the end the bases would stay.

15. Role of the Military.

the military at all levels has the same concerns over national security issues and the threat from Turkey as the political leadership; it will probably encourage driving a hard bargain, but will support the principle of continued US military presence.

16. Greek Elites and the Bases. There is no significant part of the Greek polity that unreservedly accepts the bases. Relations with the United States still suffer from the 1967-74 colonels' regime and the 1974 Cyprus invasion by Turkey. Political conservatives are generally supportive of the idea of a US military presence, but the nationalistic feelings that run high throughout Greek society dictate that even this support must be couched in terms of Greek national interest, rather than overall alliance strategy against a Warsaw Pact threat. Greeks generally have a personal regard for the United States; many have relatives who have emigrated here. Greek businessmen might see the retention of the bases as an indication of faith in Greece. Yet, in general terms, there is no strong internal Greek constituency for the continued US presence.

17. The Role of Papandreou. What must be borne in mind is that Papandreou will be the ultimate political arbiter on the Greek side. Although the negotiators may have some latitude in tactics, the final outcome will be decided by the Prime Minister.

18. Domestic realities have compelled Papandreou to moderate his policies, particularly in the economic arena. To appease the left wing of his own party as well as the Communists, on whom he relies for electoral support, Papandreou turns to rhetorical gestures,

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19. *Economic Situation.* Economic factors will loom large in Greek considerations. In support of the bases, the United States spends approximately \$100 million per year in Greece, including salaries of Greek employees, local purchases of fuel and other commodities, and rent payments. Greece's public external debt, as of 31 December 1986, is approximately \$18 billion. While direct earnings from the bases offset only a tiny fraction of the total debt, indirect earnings from coproduction schemes and other monies injected into the economy by the US military presence also provide the Greeks badly needed foreign exchange.



Greeks probably worry that earnings from US tourism—estimated at \$300-400 million per year—would be affected adversely by a reduction of the US base presence.

20. Greek unemployment is officially estimated at 287,000, as of 31 December 1986, 7.4 percent of a total labor force of 3.9 million. The loss of about 1,000 jobs at DECA installations would have an insignificant impact on unemployment, though it might become a political factor if economic conditions deteriorate, making the potential impact of the loss of jobs and income an issue with labor groups, many of whom are PASOK supporters.

21. Security assistance provided by the United States significantly assists in Greek military modernization. The Greek military depends on US security assistance for modernization, using the monies to purchase new equipment while reserving domestic funds for operations and maintenance. The administration requested \$435 million in Foreign Military Sales (FMS) credits for FY 1988; \$343 million was allocated for FY 1987. Although recent Bank of Greece figures estimate that Greece's net borrowing may hit zero for 1987, Greece cannot self-finance military purchases from its existing reserves. The Greeks may request concessional FMS credits or even Military Assistance Program (MAP) grants; however, Greek per capita income is too high to qualify for concessional FMS. A lack of financing limits Greece's commercial alternatives for military purchases.

International Factors

22. The facilities provide the Greeks psychological security vis-a-vis perceived threats from Turkey and the Warsaw Pact. Although there are no US combat units stationed in Greece, the proximity of Sixth Fleet units and the ability of the bases to support US,

NATO, and Greek national forces provides tangible reassurance of US and NATO commitment to the defense of Greece against the Warsaw Pact. The role of the bases in countering the perceived Turkish threat is less clear-cut, but the Greeks presumably calculate that the presence of the bases contributes to US interests in restraining Turkish attacks.

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23. PASOK's foreign policy aims at projecting Greece as a bridge between Europe and the Third World. Greece has expanded ties to much of the Arab world and has attempted to align itself with the Third World on many issues. Retaining the US military presence would, therefore, represent a degree of contradiction in Greek policy;

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24. *Greece and Turkey.* A perceived threat from Turkey is overwhelmingly the most important determinant of Greek foreign policy. Greece claims that, after 1973, Turkey initiated an openly expansionist policy in the Aegean Sea and has refused international arbitration in the dispute. Moreover, long-continued intercommunal strife in Cyprus has heightened tensions between Greece and Turkey. The 1974 Turkish intervention in Cyprus, coupled with the fall of the junta, magnified Greek mistrust of Turkish intentions and solidified the perception that the gravest threat comes from Turkey. More recently, Greek-Turkish relations were severely strained by the Aegean crisis last March, in which Greece sent its fleet to sea to halt Turkish exploration of the disputed Continental Shelf.

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25. Greek-Turkish relations will vary between tolerable and bad, independently of a DECA agreement. Periodic episodes of heightened tension, such as occurred last spring, are generally followed by periods of increased contact between the political leaders. At present an exchange of letters between Papandreou and Turkish Prime Minister Ozal is keeping the relationship on an even keel, and Papandreou has opened a dialogue with the Turkish Ambassador in Athens on such issues as the Persian Gulf situation.

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26. *Greece and the Warsaw Pact and Moscow.* Greece views the military threat from the Warsaw Pact as serious but latent, lacking the immediacy of the perceived threat from Turkey. The Papandreou government has increased contact with its Balkan neighbors, especially Bulgaria, and has joined in a call for a Balkan nuclear weapons free zone. A "security" agreement with Bulgaria and related consultations, for example, during the Aegean crisis of last March, reflect the Papandreou government's more neutralist

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position, stressing independence from NATO and the West. Tactically, it also had the advantage of complicating Turkey's military planning. [redacted]

27. Papandreou also has improved PASOK ties to the Soviet Union, and the Soviets have been working with PASOK and Greek peace groups to promote opposition to the bases. The Soviets have cultivated Papandreou and his party to the detriment of their relations with the KKE. This has been a calculated political move, in which the Soviets see PASOK as a more promising vehicle for the promotion of Soviet foreign policy interests than the KKE, which is unlikely to have any significant role in the Greek Government. [redacted]

28. *NATO.* The Greeks place a self-serving emphasis on their country's geostrategic importance to NATO as a link in the defense of NATO's southern flank. Greece feels betrayed, however, by NATO's unwillingness to take sides to guarantee her security from the perceived Turkish threat. Greek-NATO relations are a virtual hostage of Greek-Turkish relations. [redacted]

29. A basic tenet of PASOK's program was to withdraw Greece from NATO entirely. (Greece had withdrawn from the integrated military structure of NATO in 1974, but partially reintegrated in 1980.) Papandreou has not put this policy into effect, but he and his ministers have often played to the Greek left and the Third World by differentiating Greek policy from that of the alliance at NATO ministerial meetings, often embarrassing the organization. The other NATO members understand the strategic necessity of keeping Greece in the alliance and, should negotiations deteriorate seriously, could be counted on to support negotiation of an agreement that would keep the existing US presence intact. [redacted]

30. *European Community.* Papandreou came to office in 1981 pledging to hold a referendum on European Community (EC) membership, with an eye to withdrawing from the Community. Ironically, Papandreou now sees domestic prestige value in Greece's turn in the EC presidency, June-December 1988, and may trade on that prestige to hold elections during this period. [redacted]

Greek Goals in the Negotiations

31. Greek goals will be to serve Greek national security objectives, principally to ensure continued restraint of Turkey's perceived aggressive intent and to limit continued US security assistance to Turkey while ensuring security assistance adequate to finance continued modernization of the Greek military. The

Greeks might initially press for explicit security guarantees of protection from Turkish military action against Greece and even for inclusion of an item on Cyprus. The United States has always categorically rejected explicit inscription of security guarantees and a ratio of Greek to Turkish security assistance in a DECA. Greek demands heretofore have been met by assurances of US interest in balanced military assistance levels. [redacted]

32. Greece knows that the United States has, in the past, rejected such specific inclusions and has no reason to expect something different in these negotiations. The arguments that Greek-Turkish relations are better handled bilaterally and that Cyprus is not a bilateral Greek-US issue are likely to be accepted by the Greek Government in the end, but much of the private discussions and Greek public play of the negotiations will probably revolve around these issues. [redacted]

33. *Security Assistance.* Winning explicit reference in the DECA to the unofficial 7:10 ratio of security assistance to Greece and Turkey will probably be a Greek goal again in these negotiations, as it was in 1983. Greek attachment to this ratio might dissolve, however, if there appears to be a realistic prospect of Congress deeply cutting Turkish assistance or if the US accommodates Greece in other related areas. [redacted]

34. Greece also will seek continued substantial amounts of security assistance. Accumulated FMS credit allocations were used to pay for the recent F-16 purchase. However, Greece will face increasing difficulty in the next few years in repaying FMS debt incurred in the F-16 buy and may demand concessional FMS credits or MAP grant assistance. [redacted]

35. The Greek demand for specific weapons systems will be keyed to matching those that the United States provides to Turkey and maintaining a balance in the Aegean. For instance, under the Southern Region Amendment, Turkey received 40 F-4E aircraft. Both Greece and Turkey were offered older F-4 C/D aircraft. The Greeks complained that they wanted F-4Es, arguing that such a transfer was necessary to maintain balance in the Aegean. [redacted]

36. *Reduction or Closure of the Bases?* Papandreou's 1981 campaign promises, his subsequent in-temperate rhetoric and his pledge to begin the negotiations from a zero base notwithstanding, the Greeks almost certainly will *not* demand the closure of all the bases in Greece. Papandreou may disagree philosophically with the presence of the US military in Greece and see domestic political costs in it. Nevertheless, he

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appears convinced of the importance of the US presence in countering the Turkish threat and of the need for continued US security assistance.

for terminating the US presence. The Greek side may initially demand a similar definitive timetable this time to emphasize that its ultimate goal is to end the US presence.

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37. The Greeks may claim, however, that closing or significantly reducing operations at one or more bases may be politically necessary in selling an agreement to the public. Hellenikon Air Base, located in a Communist-dominated suburb of Athens and the venue of longstanding labor problems with the Greek employees, is the most likely candidate. However, the Greeks can be expected to look carefully at all the US bases.

How Will the Greeks Approach the Negotiations?

42. Greek negotiation plans are fluid. Although Papandreou may have a general plan of where he wants to go and what is politically acceptable to him and the left, there are contradictory indications of how long he is willing to string out the negotiation process. If those specific plans become evident, they will be so only after the negotiations progress and Papandreou can judge their impact on his own political agenda.

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38. The Greeks are certain to watch US base negotiations with Spain closely, especially the Spanish demand for withdrawal of a US F-16 wing from Torrejon Air Base, which the Greeks feel closely parallels Hellenikon. Both bases are politically sensitive because of their proximity to the capital city and draw an inordinate amount of attention to the US presence; other US bases in Greece are remote from major population centers and cause less turmoil. However, the Greeks feel a real security need for a US presence that the Spanish do not. Should US force reductions occur in Spain, the Greek side will come under significant pressure to match these.

43. Papandreou has said that the negotiations will begin at a "zero base," as if the bases do not exist. This is effective in putting the best face on the negotiations for the Greek public and defines the key element of strength Papandreou sees in the Greek position. In view of its need for security support from a major power and for assistance in procuring and financing military equipment, Greece needs the United States, and virtually its only bargaining chip in the security relationship is an ability to threaten closure of the US bases.

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39. *Greek Control of DECA Bases.* There is no indication that the Greeks will demand giving US bases the appearance of joint or NATO defense installations, with Greek commanders, nominal Greek control of the installations, and "two flags" flying. The Greeks have in the past rejected this type of close identification with the US military presence, preferring to maintain an image of grudging acquiescence in a temporary tactical necessity. In response to a US offer (as was made in 1983), however, the Greeks might be inclined to consider it as an option, in order to increase restrictions on the bases.

44. Another element of strength in the Greek position is the Greek lobby in the United States. Although the lobby is less supportive of the PASOK government than it was of earlier conservative regimes, Papandreou may well count on Greek-Americans to press for US acceptance of security guarantees against Turkey and to palliate the negative effects of some of the stronger US bargaining points—reductions in security assistance and increased assistance for Turkey.

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41. *Duration.* In line with PASOK's commitment to the eventual removal of the US bases from Greece, Papandreou may push for a more definitive duration clause in the new DECA. The Greeks considered the duration clause in the 1983 DECA a strict timetable

45. Papandreou has hinted that he will conduct "parallel negotiations," leaving the technical matters up to the negotiating team while reserving political issues to himself. This is compatible with Papandreou's style of governing and his need to keep a finger on the political pulse. It will mean, however, that the Greek negotiator will have limited freedom of action and authority—and that the negotiating process will remain stalled for long periods while Papandreou waits for a propitious moment in domestic politics to produce apparent movement on the bases. Moreover, the technical negotiations are likely at some point to arrive at an impasse that only can be resolved with Papandreou outside the negotiating process.

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46. Papandreou can use the base negotiations as a unique issue in his electoral strategy. He needs to balance the left's distrust of his more moderate policies by demonstrating Greece's independence of US influence; with the right he must balance distrust of his socialism and his "neutrality within the alliance" with responsible actions that maintain Greek security ties to the West. The base negotiations contain both risks and opportunities to placate both sides. [redacted]

51. US security assistance allows the Greeks to modernize and maintain their forces at a level beyond their own means. Financing for military purchases is not available from other sources, and US assistance eases the foreign exchange burden of military expenditures. Although Greek coproduction schemes with third countries may inflate Greek pride, the economic burden of self-reliance in defense—and the degraded quality of major end items—would be difficult to bear. [redacted]

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47. It is the center that Papandreou needs to win elections, but he needs also to forestall leftist defections from his own party by appearing tough with the United States. He may be tempted at some point to "terminate" the negotiations and call snap elections, hoping thereby to retain needed leftist votes. With a renewed majority, he presumably would be able to resume talks and reach an agreement. [redacted]

52. The Greeks want to develop their indigenous defense industry. Western technology is necessary for them to continue on this track. Greek military and defense experts are convinced of the technological superiority of US and Western equipment. [redacted]

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48. Unpredictable events, however, may force an alternative scenario. An unexpected crisis with Turkey over the Aegean or Cyprus, for instance, would enhance the value the Greek Government attaches to the US military presence. However, it might trigger a public reaction that Papandreou could not control and limit his options, reducing the likelihood of reaching a satisfactory base agreement. [redacted]

53. A final point in the US favor is its ability to count on pressure from NATO allies to get Greece to accede to a continued US presence. Removal of the US bases or significant curtailment of their operations would entail the loss of real capabilities and force a reassessment of the existing distribution of the European defense burden. Moreover, Greece's shedding a major part of its contribution to the alliance would place in question the commitment of member states to collective defense. Other NATO allies— [redacted]

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What Leverage Does the United States Have?

49. US interest in maintaining its military presence in Greece does not mean that the Greeks have an overwhelming advantage in negotiating. The United States has significant points in its favor at the outset of the negotiations. Probably most important is that the bases provide a de facto guarantee against the threat Greeks perceive from Turkey. The perceived US commitment to restraining Turkey is heightened by the presence of the bases. Further, the risk of involving US personnel in any military action against Greece is seen as a deterrent to aggressive Turkish plans. A concomitant point is that a reduction of US activity in Greece would mean an increase in US activity in Turkey and, if only in Greek perceptions, an even greater shift toward Turkey by the United States. [redacted]



[redacted]—could put pressure on Papandreou. [redacted]

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54. A perception that Greece was being obstreperous might also rebound against Greek interests in other European forums. Greece wants to prevent Turkey's attaining full membership in the EC, and an unhelpful attitude on the bases might hinder that objective. [redacted]

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Implications for US Negotiators

55. The conduct of the negotiations will flavor Greek-US bilateral relations for some time to come. There is no reason to believe that the negotiations will permanently sour the relationship, but a confrontational episode will put a certain edge on it. (S NF)

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50. Another significant point is that US security assistance and US-origin equipment are important to the maintenance and modernization of Greek military forces. The Greek military likes and is dependent on US equipment. Although the Greeks also have French, German, and coproduced equipment, the bulk of army and air force equipment has been provided by the United States. Greek military leaders and technicians are trained in the United States on US equipment and are familiar with US doctrine. [redacted]

56. A US attempt to influence Greek public opinion would quickly be seen as such and would be counterproductive. For better or worse, the Greek Government will bear the responsibility for shaping Greek public opinion. (S NF)

57. The outcome of the negotiations will have only limited impact on the unsteady Greek-Turkish relationship. To the extent that it assures the Greeks that the United States is serious about a balanced policy in

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[Redacted]

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the region, and to the extent that the Greeks are mollified by the deterrence offered by the bases, that relationship can be strengthened. These negotiations alone will not lead to a rapprochement. Indeed, they could exacerbate Greek-Turkish tensions if Papandreou resorts to extreme nationalistic rhetoric in selling the agreement to the Greek public. [Redacted]

— Greece will want the outcome of the negotiations to reflect its concerns about out-of-area operations and may seek restrictions.

[Redacted]

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58. Greece's status in the NATO alliance will be reaffirmed by a successful conclusion of the negotiations; Greece will be seen as a more trustworthy partner in the alliance. However, this is not a Greek priority, and Papandreou will continue to differ loudly with NATO and the United States whenever he feels the political situation warrants. [Redacted]

— Negotiations that attempt to establish a convergence of views between the United States and Greece will be counterproductive; Greece, although less blatantly anti-American than in the past, still chafes under close identification with the United States.

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59. The US negotiators must bear in mind the following:

— Although the Greeks will be able to control the timing and progress of the negotiations—and for political reasons of their own they may be inclined not to be in a hurry—both the United States and Greece know that the bases are in the Greek interest, at least for the time being.

— Papandreou's intent to conduct "parallel negotiations" at the political level, leaving the technical questions for the present negotiations, underscores the fact that he is the ultimate arbiter and that the negotiators have no policy responsibility.

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— Above all, domestic political considerations will be paramount in Greek calculations. [Redacted]

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ANNEX A

Chronology of Greek Bases

- 1952 Greece joins NATO.
- October 1953 US-Greek military facilities agreement authorizes construction, development, use, and operation of military facilities for NATO plans; subsequent technical arrangements for individual bases uses this agreement as a basis.
- April 1967 Colonels' coup overthrows civilian government.
- 1973 US Sixth Fleet gains home port at Elevisis.
- July 1974 Junta falls; Greece withdraws from NATO military command.
- February 1975 Renegotiation of 1953 agreement begins.
- July 1977 Greek Government initials accord, but does not seek parliamentary approval.
- October 1980 Greece partially reintegrates into NATO military command.
- January 1981 Negotiations resume on US military presence.
- October 1981 PASOK government is reelected.
- December 1983 Present DECA enters into force.
- November 1987 New DECA talks begin.



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ANNEX B

Referendums Past and Future

Papandreou in Trouble

Greek Prime Minister Papandreou's 24 May 1987 announcement that he would place the results of US-Greek negotiations on the Defense and Economic Cooperation Agreement (DECA) before the Greek people in a referendum came in the wake of eight months of political troubles for his Panhellenic Socialist Movement (PASOK):

- *Municipal election losses in October.* The Communists withheld their support in protest of PASOK's decision not to change the electoral law in their favor, precipitating PASOK's surprising losses in Greece's three major cities—Athens, Piraeus, and Thessaloniki.
- *Poor economic forecast.* A two-year austerity program, begun in 1985, made a dent in inflation—which dropped from 19.3 to 16.8 percent in 1986—but the resulting 8-percent drop in workers' real income has sparked fierce protests from all quarters. This opposition is bound to intensify since the government has announced that it will fall well short of its goal of reducing inflation to 10 percent in 1987.
- *Political scandals.* A wave of political scandals this fall exposed corruption among PASOK-appointed public officials, government-controlled corporations, and high-level PASOK party functionaries. Although most of the various scandals did not touch Papandreou himself, public airing of PASOK's dirty laundry hurt the party's image.
- *Dispute with the Church.* In March 1987, Papandreou moved to fulfill an old campaign promise to seize over 300,000 acres of Church land for redistribution to Greek farmers. In addition, the bill submitted to Parliament called for greater government involvement in Church administration. Papandreou—who no doubt hoped to garner support from farmers and leftists—was probably surprised at the amount of opposition rallied by the Church against these moves. Although PASOK's parliamentary majority passed the bill, the controversy raged for nearly a month. []

Nationalist feelings united Greeks behind Papandreou when the Aegean dispute with Turkey brought both nations to the brink of war in late March. We do not believe Papandreou staged the incident with Turkey to gain domestic political points, but he certainly took advantage of the opportunity to strike a tough posture that won him public acclaim. Although the resulting euphoria was short lived, it may have underlined for Papandreou that foreign policy issues have traditionally brought him support. In fact, polling suggests that PASOK's political strength is dependent more on foreign than on domestic policies. []

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This may explain why Papandreou responded to a second wave of public scandals in May by apparently pulling the referendum idea out of his hat. The dramatic announcement—coupled with his call for a parliamentary vote of confidence—enabled Papandreou to seize the political initiative from the conservative opposition and to once again set the agenda for political discussion in Greece. []

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The referendum idea, nevertheless, was probably not a spur-of-the-moment inspiration. Dealing with the bases has no doubt been on Papandreou's mind since his meeting with Secretary Shultz in spring 1986 in Athens. As early as fall, the Greek press speculated that Papandreou would call a referendum on the bases. []

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The referendum, while serving short-term political needs, also could solve some of Papandreou's longer term problems:

- *Strengthens his negotiating position.* Papandreou will be able to raise the spectre of the referendum to try to force the United States into concessions. He can claim the referendum will not pass unless Greek conservatives can see US economic concessions, leftists are satisfied Greece has been given tighter control over the bases, and all Greeks believe their strategic balance with Turkey has been ensured.

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— Allows him to “spread the blame” for this apparent policy reversal. Popular approval for any DECA he negotiates will help Papandreu deal with objections from PASOK’s left wing, which will almost certainly remind him of his promises to remove the bases; he will be able to claim he is merely obeying the “will of the people.”

The History of Greek Plebiscites

Papandreu may have been inspired by the three referendums that have been held in the last 20 years with the aim of providing public approval for controversial programs:

- 29 September 1968. Less than a year after the junta took over, a new constitution was promulgated and ratified by popular vote. Heavy police pressure to turn out the vote, and perhaps to influence how people voted as well, ensured that the constitution was approved by 92 percent of the voters.
- 29 July 1973. After Papadopoulos declared Greece’s Third Republic on 1 June 1973, a referendum was held to confirm the decision. Some 78 percent of the population voted to abolish the monarchy.
- 8 December 1974. Following the restoration of democracy in 1974, the Greeks reaffirmed their earlier decision to get rid of the monarchy in a referendum that endorsed Greece’s being a republic by some 70 percent.

Papandreu’s current referendum, nevertheless, has a unique spin. It will be the first referendum on a specific policy; the other three were decisions on how Greece was to be governed. This idea is much closer to the referendum on EC membership that Papandreu called for during his days in opposition and later dropped. He may also have been inspired by the recent Spanish referendum on NATO.

New Democracy: To Support or Not To Support

Papandreu is almost certainly counting on the backing of the conservative opposition New Democracy (ND) party to pass the referendum, but he may be miscalculating. ND has long supported the US presence in principle; it did not, however, support the text of the 1983 DECA negotiated by PASOK. Therefore, in a referendum on the specifics of the negotiated agreement—which is what Papandreu has proposed—ND may advocate abstention or even opposition, hoping perhaps to pick up the pieces afterward

and negotiate a new deal. Without ND backing, the referendum could have difficulty passing.

Opposing the referendum could hurt ND’s credibility, but the conservatives might seek to portray a PASOK-negotiated DECA as too weak a deal for Greece. Defeating Papandreu’s DECA referendum could be used to force early elections. ND could then campaign on a promise to return to the negotiating table with a new, tougher bargaining stance.

Framing the Question May Be Crucial

Public opinion polls show increasing acceptance of the US bases since 1983, but a majority still appear to favor closing them. Those in favor of keeping the bases have increased from 28 percent in 1983 to 40 percent in May 1987. Opposition—“go in a few years” plus “go immediately”—has declined from a high of 72 percent in April 1984 to 51 percent in 1987, the lowest level in five years.

If it can be demonstrated that dismantling the bases would harm Greek security, however, a majority would probably vote for retaining them. When asked what the government should do if closing the bases would weaken Greek security, support for retaining the bases increased from 57 percent last year to 63 percent this year. Winning a bases referendum, therefore, is likely to depend on successfully linking them to Greek security.

Papandreu’s recent public pronouncements on the bases indicate that he understands this connection between security concerns and potential support for a new DECA. He has insisted that any agreement must address Greece’s “national interests”—that is, must ensure Greek security against the “Turkish threat.” He has also publicly stated that the US presence in the Aegean is crucial for ensuring the balance of power in the region.

Outlook

On the positive side, Papandreu’s call for a referendum on the DECA implies that he intends to negotiate a new agreement and to publicly support maintaining a US military presence in Greece. But Papandreu’s call for a referendum, though politically shrewd, is also very risky—both for him and for the United States.

For one thing, he will be under even more pressure to drive a hard bargain. Now that he has essentially acknowledged his willingness to continue the US military presence in Greece, Papandreu will have to

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prove he still "stands up to the Americans" and that he is driving a hard bargain with Washington. The United States, therefore, is likely to remain a prominent target in his speeches about the international scene in general. Moreover, the Greek Government will react even more vocally to "offenses" from Washington, as it did in recent responses to the US demarche about an alleged deal between Greece and Abu Nidal. In short, to ensure public approval for the new DECA, Papandreou will have to demonstrate that he is driving a hard bargain with the United States.



Beyond that point, the crystal ball gets a little fuzzier. Although before the recent falling out over Abu Nidal Papandreou indicated a willingness to begin procedural talks on the DECA, we believe he has long intended to postpone the actual negotiations and the referendum as long as possible. The next national election must be held by June 1989, and we think Papandreou will be reluctant to go to the polls early unless he is certain of success. For one thing, he probably wants to ensure that he is still in

office when Greece attains the EC presidency in mid-1988. Since few politicians would choose to face the electorate twice in two years, Papandreou may well tie the referendum closely to this election, holding it immediately before, simultaneous with, or even after the election.



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Ultimately, he may not actually hold a referendum. Papandreou could finesse his promise to hold a referendum in a number of ways, most probably by declaring the next national election a de facto referendum on his performance in the DECA negotiations. The negotiations need not even have concluded in order for him to do this. Indeed, he could argue that reelection would improve his bargaining position. Such a move does have a precedent in Greek history: in 1977, during an especially tense time in Greek-Turkish relations and a critical stage in Greece's application for EC membership, Prime Minister Karamanlis called an election, claiming that such crucial decisions could only be taken by a government armed with a fresh mandate.



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ANNEX D
A Summary of Current Basing Agreements

Turkey

In Turkey, the United States has access to airfield installations [redacted]

[redacted] The initial five-year term of the US-Turkey agreement, which was to end on 18 December 1985, was renewed for another five years on 16 March 1987. Ankara suspended the renewal this spring following US Congressional resolutions critical of Turkey. The agreement, however, remains operative on a year-to-year basis until the renewal is ratified by the Turkish Government. Both in 1980 and 1986, the United States pledged to exert its "best efforts" to obtain defense support for Turkey in accordance with mutually agreed programs. In 1986, the United States also promised to try to extend the Southern Region Amendment for transferring surplus US military equipment to Turkey on a yearly basis. [redacted]

Spain

The United States concluded an agreement with Spain in 1982 for US rights and access to extensive air, naval, and support facilities. The executive branch pledged its "best efforts" to continue to obtain funding at the then current level of \$400 million FMS and \$12 million ESF. The agreement has a nominal termination date of 1988 but is automatically extended on a year-to-year basis unless one party notifies the other six months in advance of its intention to terminate the agreement. [redacted]

In a joint communique issued in December 1985, the United States and Spain agreed to begin negotiations on reductions of US forces in Spain, with the understanding that the Spanish military would take over those missions no longer performed by US forces. The major Spanish demand in the first round of negotiations, which began in July 1986, focused on the withdrawal of the 401st Tactical Fighter Wing with its 72 F-16 aircraft. The issue remains unresolved at this time. [redacted]

Philippines

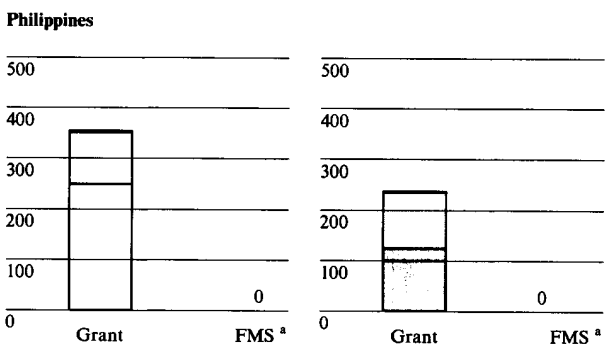
The United States and the Philippines signed a Military Bases Agreement in 1947 that has been amended and modified, but never renegotiated. The agreement, as modified, gives the United States access until 1992 to seven bases and facilities. The United States agreed to consult the Philippine Government before initiating combat operations other than those falling under US-Philippine Mutual Defense. In June 1983, the United States agreed to provide \$900 million in compensation for 1985-89. [redacted]

Figure 5
Economic and Security Assistance for Countries With Basing Agreements

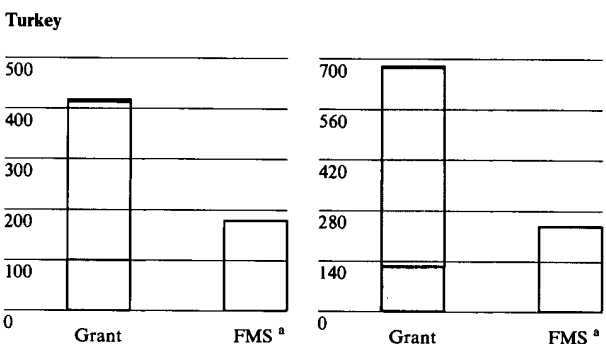
Million US \$ Note scale change

Type of funding
 ESF MAP IMET FMS^a

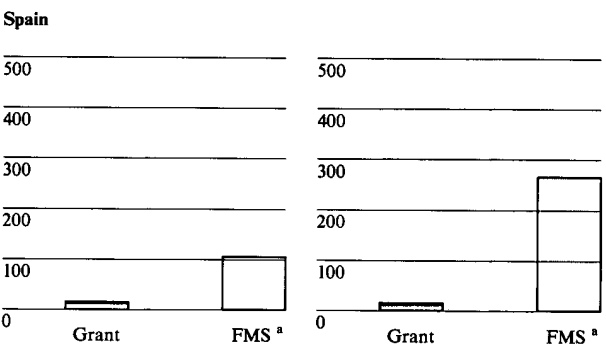
FY 1987 FY 1988 (Proposed)



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^a Concessional.

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ANNEX E

Party Representation in Greek Parliament

	Seats	Percentage of Vote
Parliamentary election of 2 June 1985		
Pan-Hellenic Socialist Movement (PASOK)	161	45.8
New Democracy	125	40.8
Communist Party (KKE)	13	9.9
Communist Party of Interior	1	1.8
Others		1.7
Total	300	100

The Greek Parliament, September 1987

PASOK	157
New Democracy	110
KKE	10
Democratic Renewal ^a	9
Greek Left ^b	1
Independent	13
Total	300

^a Splinter of New Democracy.^b Name change for old Communist Party of Interior.

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