

AIRGRAM

Foreign Service of the
United States of America

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OUTGOING American Embassy, Athens

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PAGE 1 OF PAGES

Date Sent: November 3, 1960

FROM: American Embassy

TO: Secretary of State

NO: G-240

1. First act of Merten affair, which has caused marked fermentation Greek political life, came to close with end of Parliamentary debate on subject on October 15. Since then much of ^{heat} ~~heat~~ has gone out of issue. Nevertheless, second and possibly decisive act to come when court trials, for which no date yet set, take place in Greece, and if suit for perjury, which Merten still threatening to bring against wife of Minister of Interior, occurs in Germany. One way or other trials should close out case.

2. A key factor unknown to Embassy is extent of evidence, if any, which may be still outstanding against Govt, and if any exists, what Govt's chances are of quashing it. In extreme case, on one hand, that Caramanlis should prove to be personally implicated, Govt would have to resign and interim govt of service character, with legislative powers, would probably take over. If at other extreme, Government members accused by Merten are completely exonerated before public opinion as result of evidence, Govt may emerge stronger than ever. Neither outcome likely in Embassy view although second slightly more possible. Probability ~~is~~ ^{is} that balance of evidence already on hand, and possibly still to come, will crystallize to form suspicion in public mind that Govt members accused by Merten guilty of some taint of collaboration.

3. Caramanlis' most likely course, then, would appear to be to drop one or two of Ministers concerned although he might not wait until after trials to do so. Report of October 25 cites Palace opinion that minor Cabinet reshuffle, including removal Under Secretary Defense Themelis may be necessary. Whether Caramanlis would proceed to major Cabinet reshuffle hinges on many factors, one of which would be power of new Crivas movement to attract potential ERE defectors. In any event appears likely at moment eventual Cabinet changes will take place and will be followed by elections, say next spring or fall, or possibly ~~much~~ ^{much} earlier. Optimum timing elections of course contingent many factors, such as general economic state of country, mood of the public, condition of Opposition, etc. Conclusion that Caramanlis will go to

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country sooner rather than later, and anyway before expiration of normal term in spring 1962, is based on logic of pre-Merten situation, which led to many speculations and predictions of elections in 1961. (See WEEKA No. 31, August 2, 1960). It is reinforced by events of Merten affair. It also assumes that Caramanlis will be in position to call the turn; specifically that he will not have suffered such damage that Palace would consider it necessary to throw its weight behind interim government. [] of October 25 records impression of Foreign Minister Averoff (after dinner at Palace) that King and Queen continue strongly favor Caramanlis.

4. As things now stand, Government has suffered damage. Substantial section of public opinion believes that it was tactically unwise of Govt to go to court over Merten, and that prolongation of case before public view can only work to Govt's disadvantage, even though Govt may recoup some of its loss by getting favorable judgment in Greek court. While this would not be impressive in itself, it might, by carrying sanction of libel action, serve to stop rumors on subject. Course of Parliamentary debate reinforced impression that Govt reacted hastily to Merten charges without adequate examination of implications its decision, or consideration of apologia it would present to public, or even of tactics it would follow in Parliament vis-a-vis Opposition. While rather poor Parliamentary show may have only restricted impact, public has nevertheless gained general impression particularly from Ethnos case (See Embassy Airgram No. 223 of 10/27, where Opposition given opportunity to continue Parliamentary debate in another forum, that Govt reacted nervously to Merten charges. As consequence public has been left with uneasy suspicion that "something" behind Merten charges, with some resulting erosion of confidence in Govt's integrity or at very least its versatility. So far there are no defections from ERE, but number of ERE deputies are reportedly uneasy, a "few" are reported ready to defect, and many would be unhappy if they had to face electorate at this moment.

5. Confidence of Extreme Left has grown, battenng on Govt's mistakes and on its own dexterity in stimulating in public mind impression that it has exclusive claim to "resistance" role. Additionally, to degree it is successful in associating nationalist elements with collaboration, to that degree do main charges against it of being tied to international Communism lose their sting, and to that degree does it advance towards one of its objectives, respectability.

6. Under impetus of desire to launch themselves in wake of discontent aroused by Merten affair and other causes, past fitful efforts of elements of Nationalist Opposition to cooperate have finally crystallized for moment round "merger" of Liberal Party and Papapolitis' EPEK with Grivas movement. (See Embassy telegram No. 933 of Nov. 1). Short-term prospects of new organization turn to substantial degree on decision of New Political Movement, which would lend prestige of recognized ability of its members to new organization. Although NPM members still split on question, current estimate is that some of them will go over to new organization. Long-term prospects new organization even more difficult to predict, turning, as they will, largely on personality and political qualifications of Grivas and on ability

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of leaders and those movement may yet embrace to maintain working equilibrium. will almost certainly have to cope with machinations of Venizelos, who, whatever his present pledges to withdraw from leadership role, is not any more likely to consign himself to political limbo than he has been in past.

7. Ability of new organization to harm Government accordingly obscure, depending not only upon viability of movement itself but also to significant extent on electoral law, to name only one of external factors which will shape its future. It is clear that new organization will find main appeal among many of same segments which support Caramanlis. As offset, or partial offset, Government may pick up support of Papandreu's Liberal Democrats and Baltadzis' Agrarians, who now appear willing enter some sort of electoral cooperation with Government. Possibly Government will also attract some of NFM. Markezinis would reportedly like to form electoral cooperation with Govt although Caramanlis said to be reluctant.

8. While new organization's appeal to EDA voters not visibly great at moment, Extreme Left understandably enough is attacking ferociously.

9. For moment then, prospects of new organization, which still in extremely fluid state, do not seem to augur for significant change in present political division between left and right. Polarization would still seem to be pattern for immediate future, albeit perhaps less sharply drawn. This, however, will only become clearer as new organization shakes down.

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