

## **Government reorganization-Formation of new minor parties- Economic policies-Foreign relations**

*Cabinet reshuffle (Jan. 16–17, 1984). Further cabinet change (March 26). Formation of right-wing EPEN party (Jan. 29). Formation of left-wing ESPE party (Feb. 22). Parliamentary approval of draft five-year plan (Nov. 21, 1983). Presentation and approval of 1984 budget (Nov. 30–Dec. 23). Congress of General Confederation of Greek Workers (Dec. 9–11). Proposed prices and incomes policy (Dec. 20). Private sector wage agreement (Feb. 12, 1984). Killing of US naval officer (Nov. 15, 1983). Controversy over US policy towards Greece and Turkey (February 1984). Alleged Turkish firing on Greek ship (March 8). Joint alumina plant agreement with Soviet Union (March).*

The government of Dr Andreas Papandreou, formed after the 1981 elections [see 31261 A] and extensively reshuffled in July 1982 [see 32585A] with further minor changes in 1983 [ibid.], underwent several modifications in January 1984. Mr Gregoris Varfis, a member of the Cabinet as Deputy Foreign Minister with responsibility for European Affairs (and described in The Times of Jan. 17 as ‘a rare pro-EEC voice in the Socialist government’), resigned for health reasons on Jan. 16. His replacement was announced on the following day as part of a reshuffle affecting several portfolios as follows:

Prof. Apostolos Lazaris	Minister to the Prime Minister
Mr Agememnon Koutsogiorgas (Minister to the Prime Minister)	Interior
Mr Georgios Yennimatas (Interior)	Health and Welfare
Mr Vasilis Kedikoglou	Commerce
Mr Georgios Moraitis (Commerce)	Alternate Minister of Agriculture
Mr Karolos Papoulias	Alternate Minister of Foreign Affairs
Mr Antonis Drosojannis	Alternate Minister of Defence
Mr Paraskevas Avgerinos (Health and Welfare)	Minister without Portfolio (responsible for social policy)
Mr Anastasios Peponis	Minister without Portfolio (responsible for radio and television)
Mr Theodoros Pangalos	Deputy Foreign Minister responsible for European Community Affairs

\* New portfolio.

Prof. Lazaris, regarded as a moderate within the ruling Pan-Hellenic Socialist Movement (Pasok), had been responsible for drawing up the party's economic policy and had served as Minister of Co-ordination from 1981 to 1982. Mr Papoulias had been a Deputy Foreign Minister with responsibility for relations with the Middle East and Eastern Europe; Mr Drosojannis was formerly Deputy Defence Minister; Mr Peponis had been Minister of Industry and Energy from 1981 to 1982; and Mr Pangalos was formerly Deputy Minister of Commerce.

Three new deputy ministers were also appointed for, respectively, Industry, Commerce and the Interior, while in early February Mr Gerasimos Arsenis, the Minister of National Economy, relinquished his additional post as Governor of the Bank of Greece to his erstwhile deputy Mr Dimitrios Chalikias.

Whereas the government reshuffle was regarded by some commentators as involving a reduction in the influence of Pasok 'hard-line left-wingers', insofar as Mr Koutsogiorgas relinquished the post which ranked second in the government hierarchy and Mr Yennimatas also moved to a less powerful position than before, it was noted in February that Mr Koutsogiorgas was named as Leader of the Government in Parliament, and that the status of the Health and Welfare Ministry was formally upgraded.

Mr Yennimatas would in his new post take responsibility for applying the new national health service proposals, which in August 1983 had provoked controversy over the costs involved, leading to the resignation of the then Finance Minister in September [see page 3286-87]. Hospital doctors ended a 12-day strike on Jan. 24 when agreement was reached on improved salaries and training provisions to allow for the introduction of a full national health service by the year 1990.

In the government reorganization it was apparently intended that the Ministry of Defence (under Dr Papandreou, the Prime Minister) would assume responsibilities formerly held by the Minister to the Prime Minister with regard to control of the Greek Central Intelligence Service (KYP). However, apparently in view of left-wing mistrust of the armed forces, responsibility for the KYP was in fact assigned directly to the Prime Minister in proposals laid before Parliament on Jan. 23. The organization was to be redefined as a civilian service, and in early February it was announced that millions of files held on Greek citizens were to be destroyed.

It was announced on March 26 that the Ministry of Finance was to be merged with the Ministry of National Economy under Mr Arsenis, following the resignation of Mr Ioannis Pottakis, who had been Minister of Finance only since September 1983 [ibid.].

Earlier, on Feb. 28, Lt.-Gen. Vasilios Kourkafas had been appointed as the new Chief of the Army General Staff on the retirement of his predecessor Gen. Ohimitrios Panagopoulos.

Other political developments-Formation of new right-wing party-Formation of party by former Pasok dissident

Dr Papandreou on Oct. 24 alleged that 'our right-wing opponents' had funded an office based in the United States and intended to undermine the Greek economy by influencing international banking and business circles against the country, but Mr Evangelos Averoff-Tossizza, leader of the New Democracy party, described this allegation as a 'well-known tactic of slanderous fireworks' and challenged the government to produce any evidence to support its charge.

In other developments (i) Ms Christina Onassis agreed in early December 1983 to pay 1,735 million drachmas in inheritance taxes on land and business assets bequeathed by her late father Mr Aristotle Onassis who had died in 1975[see page 27092] (US\$ 1.00=99.50 drachmas as at Dec. 23); and (ii) a law stipulating that women and men should be given equal pay for equal work was approved by Parliament on Jan. 10, 1984.

A new right-wing political group calling itself the Greek National Political Society (EPEN) held its first assembly on Jan. 29, when 400 delegates decided to register the group as a political party. The assembly also adopted by acclamation as EPEN's leader Mr George Papadopoulos, who had been dictator of Greece from 1967 to 1973, as Prime Minister and then as President [see 22023 A; 22451 A; 26325 A], and who was serving a sentence of life imprisonment for treason, commuted from the original death sentence passed in 1975 [see page 27460]. A taped message from Mr Papadopoulos was played to 5,500 supporters at a rally marking the launching of the party. A government spokesman said on Jan. 30, however, that Mr Papadopoulos had been deprived of civil rights as part of his sentence and would accordingly not be eligible to stand for elections, either those for the European Parliament (due in June) or those for the national Parliament (next due in autumn 1985, although there was widespread speculation about a possible premature general election to coincide with the European election).

Mr Stathis Panagoulis, who had resigned as Deputy Interior Minister in August 1982 and was expelled from Pasok after accusing the party leadership of reneging on election promises [see page 32586], announced on Feb. 22 the formation of a new United Socialist Alliance of Greece (ESPE).

Meanwhile in early February Mr Harilaos Florakis, first secretary of the pro- Moscow wing of the Greek Communist Party (KKE exterior), set out during a speech in Salonika a new version of his party's terms for entering an alliance with Pasok. Although Pasok did not take up the suggestion, it was noted that Mr Florakis was no longer insisting on 'a common minimum programme' in proposing co-operation to tackle the country's economic problems.

Economic plan-1984 budget-Prices and incomes policy

The draft 1983–87 five-year plan introduced in June 1983 [see page 32587] obtained parliamentary approval in a vote on Nov. 21 despite opposition from New Democracy (who described the plan as divorced from Greek reality) and the KKE exterior (who sought commitments to Greek withdrawal from the European Communities and to a far-reaching programme of industrial nationalization).

The draft plan aimed to secure overall annual growth of gross domestic product (GDP) of 3.5 to 4 per cent during the five-year period, to create 270,000 new jobs and to reduce the country's trade and balance-of-payments deficit. However, economic growth in 1984 was forecast at only 0.4 per cent, while figures released in late February 1984 by the Bank of Greece showed a marginal increase in the current balance-of-payments deficit in 1983 to the equivalent of \$ 1,920 million (a reduction in the visible trade deficit, from \$ 5,930 million to \$ 5,410 million, being offset by a decline in invisible receipts, i. e. earnings in the services sector). The figures also revealed a 51.6 per cent increase in receipts from the EEC, while in January the Greek government had sought extension into 1984 of quota restrictions on imports from EEC countries for six of the 18 types of goods covered by such quotas in 1983 (including cigarettes and furniture).

The 1984 budget was presented on Nov. 30 by Mr Pottakis, then Minister of Finance, and was approved after a four-day parliamentary debate on Dec. 23.

The 1983 budget had projected that the overall public-sector deficit would be 411,400 million drachmas, or about 13½ per cent of GDP, with increased tax revenues generated notably by higher indirect taxes such as those on fuels and on private car circulation. An OECD report on the Greek economy in December 1983 indicated that in practice the total deficit was likely to be higher than budgeted in 1983, and commented that 'a public sector borrowing requirement of the order of 15 per cent of GDP would clearly remain excessive'.

The 1984 budget sought to halve the current 20 per cent inflation rate and relied heavily on curbing tax evasion to generate additional revenue. Total revenue for 1984 was forecast at 1,030,000 million drachmas (a 25.1 per cent increase) and expenditure at 1,395,700 million drachmas (a 19.8 per cent increase, with notably higher expenditure proposed for social welfare, health and education, and a below-average increase for defence, which nevertheless still accounted for 15.7 per cent of the total). The projected budget deficit was 9.4 per cent lower in real terms than that for 1983. A government announcement on Feb. 2 on monetary and credit policy (involving a continued squeeze on credit in the private sector) indicated that the public sector borrowing requirement was to be held to just above 13 per cent of GDP, broadly as budgeted in 1983.

On the controversial issue of index-linking wages to the rate of price increases, the government's relations with organized labour were made easier by the results of leadership elections at the 22nd congress of the General Confederation of Greek Workers (GSEE) in Athens on Dec. 9–11.

Pasok-affiliated unions secured 26 seats on the GSEE governing body, compared with 17 for KKE exterior and two for the 'Eurocommunist' KKE interior, although government interference in union affairs had been strongly condemned by participants in demonstrations on Dec. 10.

A prices and incomes policy for 1984, put forward on Dec. 20 by Mr Arsenis (the Minister of National Economy), provided for an extension of wage indexation in the public sector, but did not meet union pressure for obligatory indexation in the private sector.

Mr Arsenis proposed instead that strict private sector wage controls should be balanced by price controls, monitored by a national prices committee with government, producers' and consumers' representatives. He did not offer the bonus payments sought by the unions to offset the effects of a wage freeze in 1983 [ibid.], but he asserted nevertheless that the policy would allow for the value of earnings to be restored in the coming year. Agreement was finally reached on Feb. 12, 1984, between the GSEE and employers in the private sector, for a backdated general wage increase and supplementary increases in May and September to keep abreast of price increases, the unions having backed down on their demands for obligatory wage indexation and for a standard 40-hour week.

#### Killing of US naval officer in Athens-Foreign relations

Capt. George Tsantes, chief of the naval section of the Joint United States Military Aid Group to Greece, was shot and killed together with his Greek driver in Athens on Nov. 15, responsibility for the attack being claimed by the 'November 17 Revolutionary Organization'.

The same group (whose name commemorated the student uprising of 1973 against the then ruling military junta—see 26325A) had claimed responsibility inter alia for the killing in December 1975 of Mr Richard Welch, station chief in Athens for the US Central Intelligence Agency [see page 28687]. Police subsequently confirmed that the attackers had used a weapon identical with that used in the Welch shooting.

A mass rally on Nov. 17, 1983, at which attendance was variously estimated between 300,000 and 1,000,000, was characterized by vocal criticism of US policy, particularly in the wake of events of recent days in Cyprus [see 32638A], but also including demands for an end to the US military presence in Greece [see below], for Greek withdrawal from NATO, and for nuclear disarmament. In connexion with the latter demands [see also 32766A] Dr Papandreou had called for postponement of NATO missile deployment in Europe, and he visited Bulgaria on Nov. 11–14 for discussions primarily on proposals for a Balkan nuclear-weapons-free zone [see page 32773 for this visit and subsequent Balkan meetings in Athens in January and february 1984]. In a letter to the then Soviet President Andropov in early December he criticized Soviet missile deployment plans which 'cannot but make worse the already troubled political-military situation'.

Continuing controversy over US policy towards Greece and Turkey led to a Greek warning in early February 1984 of possible suspension of the recently concluded Defence and Economic Co-operation Agreement governing US military bases in Greece.

Dr Papandreou told Pasok officials that Greece might suspend the agreement on national security grounds, unless US military aid proposals for Greece and Turkey in the 1985 fiscal year (dollars 500,000,000 for Greece and dollars 755,000,000 for Turkey) were amended to conform to the 7 : 10 ratio applied in practice since the late 1970s. A warning to this effect was officially conveyed to the US embassy in Athens, while the Greek government was also reportedly concerned that the USA had proposed including Turkey (but not Greece) in a list of countries eligible for military credits at special concessional rates.

Greece had earlier (in October 1983 and again in late January) announced its non-participation in NATO manoeuvres in the Aegean on the grounds that they did not include the island of Lemnos in the northern Aegean, which Turkey insisted should remain demilitarized under the 1923 Treaty of Lausanne. On the occasion of the October 1983 manoeuvres Greece had registered an official protest over violations of Greek airspace by US aircraft.

The Greek government on Feb. 4 announced its renunciation of what it described as a 'one-sided and colonial' bilateral civil aviation agreement with the USA dating from 1946, which governed reciprocal landing rights and route options between Olympic Airways and Trans World Airlines. According to a Greek government spokesman on Feb. 6, flights were to continue as before during a one-year period while the agreement was renegotiated. Although a visit to the USA by Mr Arsenis went ahead as scheduled later in the month, it was announced in March that a planned visit by President Karamanlis in April had been postponed by mutual agreement. Mr Caspar Weinberger, the US Secretary of Defence, visited Athens for talks with Greek leaders on March 30–April 1, primarily on NATO matters.

In an incident initially described by Dr Papandreou as the 'worst act of provocation since the Turkish invasion of Cyprus in 1974', five Turkish destroyers were said by the Greek government to have fired salvoes on March 8 at a Greek destroyer off Samothrace in the north-eastern Aegean. After placing its forces on alert and denouncing the 'provocation', however, Greece on March 9 accepted that 'there was no intention by the Turkish government to provoke such a dangerous incident', and the previous day's decision to recall the Greek ambassador from Ankara was rescinded.

An emergency meeting of the Greek Foreign Affairs and Defence Committee under Dr Papandreou had been convened in the evening of March 8 after Turkish ships allegedly fired two salvoes at the Greek destroyer Panthir patrolling in Greek territorial waters. The Greek government suggested that US military assistance and support for Turkey had prompted the Turkish action, and described it as 'unprecedented and unacceptable for a member state of the NATO alliance to provoke another member country'; the explanation

offered by the Turkish ambassador (that the ships were on a routine exercise in international waters and had actually fired in the direction of the Turkish shoreline, away from the Greek ships) was initially rejected as 'inadmissible and misleading'.

The Turkish government maintained a low-key response, suggesting that Greece was 'looking for an excuse' for tension. The claim that there had been firing directed at Greek vessels was described as 'astonishing' and rejected as 'out of the question and untrue' in a statement from Ankara which maintained that the ships had been 10 miles from Greek waters, on a routine exercise of which Greece had received ample advance notification. Observers noted that the incident had coincided with a visit to Athens by President Kyprianou of Cyprus, at the end of which a joint communique was issued criticising Turkish 'intransigence' over Cyprus.

#### Agreement with Soviet Union on alumina plant

Agreement was finally reached in March 1984 between Greece and the Soviet Union for joint financing and construction of a plant in Greece to process an estimated annual 1,500,000 tonnes of Greek bauxite. The plant was to export alumina to the Soviet Union (400,000 tonnes annually) and to Bulgaria (200,000 tonnes); negotiations had begun in the late 1970s [see page 30268] but had been hampered by disagreements over the alumina price, which was eventually set at 13 per cent of the Alcan-Canada price for aluminium metal.-(Times - Financial Times - Guardian - Le Monde - Neue Zürcher Zeitung - Greek Embassy Information Department, London)