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TAGS: PREL, PGOV, GR
SUBJECT: PM KARAMANLIS TOUGH ON MACEDONIA NAME, PRAGMATIC
ON TURKEY, RUSSIAN ENERGY

Classified By: AMBASSADOR DANIEL SPECKHARD. REASONS 1.4 (B) AND (D).

1. (C) SUMMARY: In his first meeting with the Ambassador, Prime Minister Kostas Karamanlis took a hard line on the Macedonia name issue, saying he had "done his part," while Skopje had become increasingly intransigent. A mutually acceptable solution -- which could include a composite name of "New, Upper, North, whatever Macedonia" for use in international fora and another name (i.e., the constitutional

name) for internal use -- had to be found now before the NATO Bucharest summit or Greece would not approve FYROM's entry into Euro-Atlantic institutions. On Kosovo, Karamanlis was less categorical, noting that Greece could understand U.S. concerns about delayed independence leading to instability. Nevertheless, Karamanlis said that the period after the Serbian elections could offer one more chance for negotiations to lead to a mutually acceptable solution. On energy, Karamanlis argued that the Russians were going to build the South Stream gas pipeline, if not through Greece then somewhere else, so it was in Greece's interest that it go through Greece. On Turkey, he said relations were better now than in the past and that he had a good relationship with PM Erdogan. Karamanlis confirmed his visit to Turkey in January, and while he was "not optimistic" about a breakthrough, such a visit could have a long-term positive impact on bilateral relations. END SUMMARY.

PRIORITIES

2. (C) The cordial January 4 meeting began with the Ambassador and Karamanlis providing overviews of their respective priorities. The Ambassador said he was focusing his attention on four areas: 1) working with Greece to increase stability in the Balkans (including supporting efforts to find a solution to the Macedonia name issue and address the situation in Kosovo); 2) promoting regional stability in the Eastern Mediterranean (including supporting improvements in relations between Greece and Turkey and working toward a solution of the Cyprus problem); 3) working with Greece to combat domestic and international terrorist threats; and 4) promoting economic development (including promoting Greek and European energy security, bilateral trade and investment, and economic development in the wider Balkan region). Karamanlis agreed this was a good set of priorities and spoke of the very close relations and similarity of outlook between the U.S. and Greece. Greece's policy in the region had three basic goals: 1) promotion of the EU as the primary stabilizing factor in Europe; 2) changing the Balkan tradition of conflict to one of cooperation; and 3) seeking good relations with Turkey. Karamanlis admitted Greece was not yet ready to be a leader in the EU -- its economy needed greater vitality -- but Greece was now at the top of the middle of the EU countries, as opposed to being at the bottom in the 1980s. In terms of domestic priorities for 2008, Karamanlis said he would focus on reforms of the pension system (this was "our historical duty and had to be accomplished regardless of the political costs"), privatization, including leasing of major ports at Piraeus and Patras and the selling of Olympic Airways, and education reform, including creating a legal framework for private

MACEDONIA NAME ISSUE

3. (C) Karamanlis took a hard line on the Macedonia name issue. He said Greece wanted the entire Balkan region to be incorporated into Euro-Atlantic institutions and to assimilate Western values, which would improve stability and further economic development. But, Karamanlis said, "let me be very frank, I think I have done my part." According to the PM, Greek public opinion earlier had been very opposed to any use of the name "Macedonia," but following UN negotiator Nimetz's forward-leaning proposal two years ago, Greece under Karamanlis's leadership took the "bold step" of accepting Nimetz's proposal as a basis of negotiation, which came at tremendous political cost to Karamanlis and the New Democracy party (support in Karamanlis's home region of Greek Macedonia slipped from more than 50 percent to 40 percent). Greece was open to a composite name -- "New, North, Upper, whatever Macedonia." But a compromise was essential, Karamanlis argued, and so far FYROM remained intransigent, which Karamanlis attributed, in part, to the U.S. decision to recognize Macedonia by its constitutional name.

4. (C) Karamanlis said he had told FYROM leaders that any Greek government going further would be thrown out of office. Thus, it was essential to find a mutually acceptable solution now. In response to the Ambassador's query as to whether it would be possible to work to show real progress and commitment in the negotiations before the NATO Summit, while leaving the ratification period for finalizing an agreement, Karamanlis insisted that this would not be acceptable and an agreement needed to be reached before the Summit. Without a solution, he said, "we cannot approve FYROM's entry into Euro-Atlantic institutions." As for Nimetz's proposal for a two-name solution (Republic of Macedonia for internal use and a composite name for the UN, NATO, and other international usage), Karamanlis said Greece could live with that, but the composite name had to be used in all international fora, and Greece expected the U.S. to use the composite name as well.

KOSOVO

5. (C) Karamanlis was less categorical on Kosovo. He said Greece understood U.S. arguments about a delay in independence for Kosovo would foster further instability, but Greece wanted to find a solution that would avoid extremes

and be more "swallowable." Greece understood there would be no UDI before Serbian elections, and after the elections, negotiations should be given another try. In his meetings with his Serbian counterpart last year, he felt that there was an understanding of the inevitability of independence but also heard a plea for "autonomy" as a step on the road to making independence politically palatable. "Autonomy can always evolve into independence," the Serbian PM told him. The Ambassador highlighted the U.S. position of support for the Ahtisaari plan and urged the PM to use his and Greece's influence to encourage Serbia to recognize that Kosovo was lost and to act now in their own self interest in pursuing European integration for Serbia and Kosovo as the best way to protect Serbian interests in the region. The PM said Greece would work within the EU to find a consensus, which was essential in promoting stability during this tense period.

6. (C) On Russia's position on Kosovo, Karamanlis noted that Putin during Karamanlis's December visit to Moscow was surprisingly less "aggressive" on the issue than previously. Three years ago, Putin had done an hour-long monologue on Ukraine, and Karamanlis expected something similar on Kosovo in December. While Putin's arguments on Kosovo remained the same, it was clear this time that Kosovo was "not his highest priority."

RUSSIA AND ENERGY

7. (C) Speaking in broader terms about Russia, Karamanlis opined it was a nation with a great, if tragic, history and had felt "humiliated" in the 1990s. Now Russia was getting richer and wanted to be part of the "leading team." Putin obviously was "no teacher of democracy," but on basic issues, such as global stability and battling terrorism, Russia could be counted as a partner. There was "no doubt" that Greece's values would not change, but Russia was an important country and Greece needed good relations with it. For one, many more Russian tourists were now coming to Greece. Then, of course, there was the energy question.

8. (C) Karamanlis said he Burgas-Alexandroupolis oil pipeline had been in the works for 20 years, so that was nothing new. As for the Russian South Stream gas pipeline, Karamanlis said the Russians were going to build it, if not through Greece, then somewhere else. Thus, "it's better for us if it's through Greece." On the Ambassador's concern that South Stream could overshadow the Turkey-Greece-Italy gas interconnector (TGI) and confuse potential investors, Karamanlis tried to downplay progress on South Stream. He

and the Bulgarian and Italian presidents had only said they were "interested" in South Stream, but it would be "hard and time-consuming" to get the project off the ground. As for TGI, he told a Moscow story: Putin asked him what kind of gas Greece thought it could get through TGI. Karamanlis replied "Azeri," to which Putin retorted "they don't have any." The PM, however, was pleased with the cooperation with Azerbaijan and confident the project would proceed.

TURKEY

9. (C) Relations with Turkey were better than previously, according to Karamanlis, particularly in terms of his personal relationship with Turkish PM Erdogan. But he could not say there had been any progress on substantive issues. Karamanlis's January trip to Turkey, which the PM confirmed, was a "very sensitive exercise," but one that might possibly lead to a "breakthrough." Karamanlis was "not optimistic," but the visit could open a door. Elements in the Turkish military appeared opposed, as was some of the Greek press. There might not be any immediate progress on substantive issues, but the visit could help strengthen relations in the longer term.

10. (C) This was also why Greece supported Turkey's EU accession. Greek public opinion rose and fell on the issue depending on events in the Aegean, but from Karamanlis's point of view the rationale for EU membership was very simple: a European Turkey would make a much better neighbor. The Cyprus issue was not a Greece-Turkey bilateral issue, but it did overshadow and complicate the EU question. Karamanlis said that perhaps after the Cypriot presidential elections in February there would be a window of opportunity to move forward on the Cyprus issue. Whatever happened, Greece would be "helpful."

COUNTERTERRORISM

11. (C) The Ambassador emphasized the importance of cooperating on counterterrorism, particularly given Greece's geo-strategic location near the Middle East. He also underscored his determination to bring to justice the perpetrators of the January 2007 RPG attack against the Embassy. The PM assured the Ambassador of continued cooperation on counterterrorism.

ADVICE FOR AMERICAN AMBASSADORS

12. (C) Karamanlis concluded the meeting with some friendly pointers on negotiating the Athens diplomatic scene. It was very important for the U.S. Ambassador to be discrete. Meddling with politicians or the press was unhelpful. Too close relations with Greek politicians, journalists, and prominent businessmen were also dangerous. Such contacts could lead to one being dragged down into "Balkans gossip."

BIO NOTE

13. (C) The meeting took place in Karamanlis's office at the Maximou Palace. Journalists with cameras were at the gate but had no opportunity to approach the Ambassador. During the meeting, Karamanlis was very comfortable and gregarious, often expressing his respect and affection for the United States. There were virtually no pauses in the conversation, and Karamanlis at times became animated, particularly when discussing the Macedonia name issue and Kosovo. He sat on the edge of his seat and took out his Greek worry beads. He spent over an hour with the Ambassador, more than double the allotted time.

SPECKHARD

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