



CRS Report for Congress

Greece Update

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Summary

The conservative New Democracy (ND) party won reelection in September 2007. Kostas Karamanlis, its leader, remained prime minister and pledged to continue economic reforms to enhance growth and create jobs. The government's foreign policy focuses on the European Union (EU), relations with Turkey, reunifying Cyprus, resolving a dispute with Macedonia over its name, other Balkan issues, and sustaining good relations with the United States. Greece has assisted with the war on terrorism, but is not a member of the U.S.-led coalition in Iraq. This report will be updated if developments warrant. See also CRS Report RL33497, *Cyprus: Status of U.N. Negotiations and Related Issues*, by Carol Migdalovitz.

Government and Politics

Prime Minister Kostas Karamanlis called for early parliamentary elections to be held on September 16, 2007, instead of in March 2008 as scheduled, believing that his government's economic record would ensure easy reelection. In August, however, Greece experienced severe and widespread wildfires, resulting in 76 deaths and 270,000 hectares burned. The government's performance during the crisis was widely viewed as ineffective and the fires followed a scandal over the state pension fund's purchase of government bonds at inflated prices. Under these circumstances, Karamanlis's New Democracy party's (ND) ability to win a slim majority of 152 seats in the unicameral 300-seat parliament and four more years in office was viewed as a victory. (On January 31, 2008, an ND deputy declared himself an independent, reducing the party's majority to one seat.) The main opposition PanHellenic Socialist Movement (PASOK) also suffered losses, while three small parties on the left and right registered significant gains and won seats. One of these, the ultra-nationalist, anti-immigrant Popular Reforming and Orthodox Rally (LAOS) party, entered parliament for the first time.

On September 18, 2007, Prime Minister Karamanlis announced a new, smaller cabinet. He abolished the Public Order Ministry, which had been responsible for fighting fires among other tasks, and merged it with the Interior Ministry. Foreign Minister Dora Bakoyianni, Minister of Economy George Alogoskoufis, and Defense Minister Evangelos Meimarakis retained their key posts.

In February 2005, former Foreign Minister Karolos Papoulias, the ND consensus candidate and a founding member of the opposition PASOK, won the presidency with 279 out of 296 votes cast in parliament. His term expires in 2010.

Economy

Greece has a mixed capitalist economy, with the public sector accounting for about 40% of the gross domestic product (GDP). The ND government has cut the budget deficit and taxes on corporations, and raised tax revenues due to an average annual growth rate of 4% and a crackdown on tax evasion. The government also passed social security reforms, despite political opposition and labor protests. Unemployment has decreased, but 20% of the population remains below the poverty level.¹

The economy benefits from Greece's membership in the European Union (EU) and the euro zone. Greece received \$8 billion (est.) annually from the EU between 2000 and 2006 and expects to receive about \$3.8 billion a year from 2007 to 2013. Its participation in the eurozone is believed responsible for controlling inflation.

Terrorism

Greek authorities have worked to dismantle two main domestic terrorist groups, the Revolutionary Organization 17 November (17N) and Revolutionary Popular Struggle (ELA). The U.S. State Department lists 17N, which was responsible for the murders of five U.S. embassy employees in Athens, beginning with CIA station chief Richard Welch in 1975, as a Foreign Terrorist Organization (FTO).²

Although arrests and convictions of 17N leaders and members have been made since 2002, retrials and acquittals have led to the release of some of those convicted. Neither 17N nor ELA has been active for several years. Possible copycats, successor groups, or renamed cells of the older groups such as Popular Revolutionary Action (LED) and Revolutionary Struggle (EA) are active as are small anarchist and anti-globalization groups which operate mainly in the Athens area. A January 12, 2007, rocket-propelled grenade attack on the U.S. Embassy in Athens caused no casualties and did little material damage. EA claimed responsibility, but no arrests have been made.

Basic Facts

Population: 10.7 million
 Gross Domestic Product Per Capita: \$30,500
 GDP Growth Rate: 3.7%
 Unemployment Rate: 8.4%
 Inflation Rate: 2.6%
 Exports: food and beverages, manufactured goods, petroleum products, chemicals, textiles
 Export Partners: Germany, Italy, Bulgaria, United Kingdom, Cyprus, Turkey
 Imports: machinery, transport equipment, fuels, chemicals
 Import Partners: Germany, Italy, Russia, France, Netherlands, South Korea
 Currency: euro

Source: CIA, *The World Factbook*, March 20, 2008; all figures are 2007 estimates.

¹ Anthee Carassava, "Early Greek Election Keyed to Economy," *International Herald Tribune*, August 18, 2007.

² U.S. State Department, *Country Reports on Terrorism 2006*.

In June 2004, parliament passed a law to implement the common EU counter-terrorism policy. In January 2006, Greece began using new, more secure passports with biometrics to comply with EU regulations and executing EU-wide arrest warrants. It also ratified the extradition agreement between the United States and EU. The Greek navy participates in Operation Active Endeavor, NATO's antiterrorism ship monitoring effort in the Mediterranean Sea.

Foreign Policy

Greece is a member of the EU and of NATO.

Cyprus. Cyprus has been partitioned between the Greek Cypriot south and the Turkish Cypriot north since Turkish forces invaded in 1974 in response to a coup on the island backed by the Greek junta, which favored uniting Cyprus and Greece. Greece strongly supports its Greek Cypriot ethnic kin in their efforts to reunify the island. In November 2002, U.N. Secretary General Kofi Annan offered a draft settlement plan to unite Greek Cypriots and Turkish Cypriots in a loosely federated United Republic of Cyprus. Prime Minister Karamanlis cautiously stated on April 15, 2004, that the plan's "positive points can prove to be superior to the negative ones," adding that it was up to the Cypriots to decide and that Greece would support their decision.³ On April 24, 76% of Greek Cypriots rejected the "Annan Plan," while 65% of Turkish Cypriots accepted it. The settlement process then stalemated. In July 2005, Turkey extended its customs union with the EU to all new members, including Cyprus, but did not recognize the Republic of Cyprus or open its ports to Greek Cypriot ships. Greece has seconded the Greek Cypriots' demand that Turkey recognize Cyprus *de jure* and fully implement the customs union. It welcomed the renewal of the settlement process in March 2008.⁴

Turkey. Greece began a rapprochement with Turkey in 1999. In order for Turkey to become a more stable democracy with its soldiers not threatening Greece, Athens supports Turkey's full membership in the EU if it meets EU standards. The two neighbors share interests in regional peace, growing bilateral trade (\$2.7 billion in 2006), a natural gas pipeline, and combating terrorism and illegal immigration. Greece is now the fourth largest investor in Turkey. Karamanlis visited Turkey in January 2008, becoming the first Greek prime minister to visit in almost 49 years. However, the unresolved Cyprus issue, the failure of Ankara to authorize the reopening of the Greek Orthodox Theological Seminary on the Turkish island of Halki, and its refusal to recognize the ecumenical (worldwide) status of the Greek Orthodox Patriarch whose seat is in Istanbul remain impediments to greater progress in normalizing bilateral relations.

Greece and Turkey have held exploratory talks on Aegean Sea sovereignty disputes over air space, territorial seas, continental shelf, and related issues for several years. Greece is determined to resolve all disagreements with Turkey peacefully, but it did not take them to the International Court of Justice (ICJ) in December 2004, as proposed by the 1999 EU summit in Helsinki which reaffirmed Turkey's candidacy for EU

³ "Greek Prime Minister Announces Government Stand on Annan Plan, Cyprus," NET Television, April 4, 2004, Open Source Center Document GMP20040415000150.

⁴ For additional background on this issue, see CRS Report RL33497, *Cyprus: Status of U.N. Negotiations and Related Issues*, by Carol Migdalovitz.

membership. Greece accepts the Court's jurisdiction, but Turkey does not. Greece officially recognizes only a dispute over the continental shelf and referral to the Court might mean acceptance of Turkey's multiple claims.⁵ Athens also wants Ankara to rescind a 1995 *casus belli* declaration that authorized any steps, including military ones, if Greece exercises a right to a 12-mile territorial sea as allowed under the Law of the Sea Treaty. Greece is a signatory of the Treaty; Turkey is not. Greece also objects to Turkey's infringements of Greece's claimed 10-mile air space over the Aegean and to Turkish commanders' references to (Greek) Aegean islands/islets not named in treaties as "gray zones" that must be demilitarized.

Macedonia. The former Yugoslav republic of Macedonia declared its independence in 1991. Its territory covers 39% of the historic region of Macedonia; the remaining 51% is in Greece and 9% is in Bulgaria. Macedonia asserts its right to use and be recognized by its constitutional name, the Republic of Macedonia. Greece objects, claiming that the name usurps Greece's heritage and conveys irredentist ambitions against Greece's largest province, also called "Macedonia," which borders the former Yugoslav republic. Due to Greek objections, Macedonia joined the U.N. in 1992 under the provisional name of The Former Yugoslav Republic of Macedonia (FYROM), which is how Greece refers to it.

In 1995, Athens and Skopje signed an interim agreement to normalize relations and settle all outstanding disputes except for the name, and Greece ended an 18-month long trade blockade of FYROM. Since then, officials of both governments have met with the U.N. Secretary General's personal envoy, U.S. lawyer Matthew Nimetz, to discuss the name, but have not reached a mutually acceptable solution. Greek officials call for a compromise composite name with a clear geographic qualifier, e.g. Northern Macedonia, to be used everywhere.⁶ In April 2008, Greece, whose position is "no solution means no invitation" for Macedonia to join NATO and the EU, vetoed Macedonia's membership in NATO because no solution had been found. It argued that, because the name dispute is not resolved, Macedonia had failed to meet what Greece said was the criterion of "good neighborliness" required of new NATO members. All Greek political parties and the vast majority of the public support the government's position, but the international trend in name usage favors Macedonia, with 120 governments recognizing it as the Republic of Macedonia. Athens and Skopje have said that they are willing to resume negotiations on the name. Despite the name problem, Greece is a top investor in the FYROM and bilateral trade is strong.

Other Regional Issues. Greeks and Serbs have particularly close ties based on their common Orthodox Christianity, their alliance during the 20th century Balkan wars, and Greek empathy during the division of Yugoslavia. Greece hopes that Serbia and all of its Balkan neighbors eventually will become EU members in order to strengthen regional stability. Greece sought a U.N. Security Council-legitimized, mutually acceptable agreement on Kosovo to reassure Serbia and protect Kosovar Serbs. It opposed Kosovo's unilateral declaration of independence as a needlessly hasty violation of international law and perhaps because it might set a precedent for northern (Turkish) Cyprus.

⁵ Interview with Angeliki Spanou, *Tipos Tis Kiriakis*, October 17, 2004, FBIS Document GMP20041018000031.

⁶ "Greek Government Faces Difficult Political Choices on Macedonia Naming Issue," *To Vima*, October 17, 2007, Open Source Center Document EUP20071021143001.

Relations with the United States. U.S.-Greek bilateral relations are good and are based on historical, political, cultural, military, economic, and personal ties. The active, well-organized Greek-American community advocates pro-Greek positions and seeks close U.S.-Greek ties. The State Department refers to Greece as a “strategic partner” and Greece and the United States share interests in stability in southeastern Europe. Greece contributes to peacekeeping forces in Bosnia-Herzegovina and Kosovo, and did not oppose the deployment of an EU rule of law mission to Kosovo after it declared independence.

The Greek government responded to the September 11, 2001 terrorist attacks on the United States with strong political support, unimpeded U.S. and coalition use of Greek airspace, and military assets for counterterrorism. More than 1,300 Greek troops and support elements and two Greek C-130 aircraft deployed during the U.S.-led Operation Enduring Freedom to oust the Taliban and Al Qaeda from Afghanistan; most were later withdrawn. Today, Greece has 120 army engineers supporting road-building and other humanitarian efforts and a mobile medical unit of 45 in NATO’s peacekeeping operation in Afghanistan. It also provides economic aid.

Like some other EU countries, Greece does not view the war in Iraq as part of the global war against terror and is not part of the coalition there. It refused to participate in training the Iraqi army in either Iraq or Greece and, along with five other EU member countries, refused to allow its military personnel assigned to NATO’s international command staff to join a senior officer training mission in Iraq. It did, however, send military personnel to train Iraqis at a camp in Bulgaria and 100 BMP-1 armored personnel carriers to Iraq to help equip the Iraqi armed forces. It also contributed financially to the cost of training Iraqi police and provided Greek commercial ships to transport NATO military equipment to Iraq. The United States operates a naval support facility at Souda Bay on the Greek island of Crete under the terms of a mutual defense cooperation agreement (MDCA) which allows an estimated 430 U.S. ships to visit the base annually for servicing. U.S. aerial refueling aircraft (tankers) from Souda reportedly serviced U.S. planes en route to the war in Iraq in 2003.

In response to the 2007 wildfires, the U.S. Agency for International Development Office of Foreign Disaster Assistance (OFDA) provided more than \$600,000 in emergency aid and \$1.35 million through agreements with the U.S. Forest Service to implement a technical assistance program through the remainder of 2007 and throughout 2008. In FY2008, Greece also received \$512,000 in International Military Education and Training (IMET) funds; the Administration has requested \$100,000 in IMET funds for Greece for FY2009.

The United States has encouraged the rapprochement between Greece and Turkey, believing that direct bilateral talks are the best route to normalized relations. Both Greece and Turkey participate in the U.S.-initiated Southeast Europe Brigade (SEEBRIG), a rapid reaction force consisting of contingents from seven regional countries.

There have been some tensions in bilateral U.S.-Greek relations. In November 2004, the United States formally recognized Macedonia by its constitutional name, the Republic of Macedonia, prompting a Greek demarche. The State Department said that the decision was not directed against Greece but intended to bolster Macedonia’s stability and ensure its path toward a multiethnic, democratic state within its existing borders.

President Bush added that the United States still would embrace any name that emerges from negotiations between Athens and Skopje. The Administration supports the U.N.-assisted negotiations regretted Greece's veto of an NATO invitation to Macedonia because the name issue was unresolved. H.Res. 356, introduced on May 1, 2007, and S.Res. 300, introduced on August 3, would express the sense of Congress that the FYROM should stop violating interim agreement provisions regarding "hostile activities or propaganda" and work to find a mutually acceptable official name.

Greece is one of 12 EU member states not part of the U.S. Visa Waiver Program (VWP), which allows short-term visitors to enter the United States without a visa. Greece had failed to meet the eligibility criteria by the time the program was frozen after 9/11. After the Greek government began issuing the more secure passports in 2006, it made joining the VWP a high priority. The U.S. Department of Homeland Security is now conducting a process to include Greece in the VWP and hopes to implement it some time in 2008.⁷ H.R. 2526, introduced on May 24, 2007, would designate Greece a program country for the purpose of the VWP.

Greece values its role as an international energy hub in order to guarantee its own energy security and to collect transit fees. Yet, the Bush Administration is concerned that planned Greek energy links to Russia, i.e., the Burgos-Alexandroupolis oil pipeline from Russia via Bulgaria to Greece and the South Stream natural gas pipeline from Russia, Bulgaria, and Greece to Italy and Austria, may undermine efforts to ensure Europe's energy security by diversifying sources from excess dependence on Russia. In line with this view, the Administration welcomed the Turkey-Greece-Italy pipeline that bypasses Russia to supply Azerbaijani natural gas to Europe.

Although official U.S.-Greek relations are generally cordial, there is a strong strain of anti-Americanism in Greece, stemming from U.S. support for the Greek military junta that ruled from 1967-1974 and U.S. failure to prevent the Turkish invasion of/intervention in Cyprus in 1974, among other issues. Unsupported allegations of U.S. interference in domestic Greek political affairs surface regularly. Anti-American sentiment is manifest in periodic mass demonstrations mobilized by Communists, anarchists, unions, antiwar activists, and anti-globalization forces, whose influence is disproportionate to their numbers in society.

⁷ "Greek Deputy Foreign Minister, US Official Discuss Visa Waiver Program," *Athens News Agency*, February 8, 2008. See also, CRS Report RL32221, *Visa Waiver Program*, by Alison Siskin, Updated January 30, 2008.