

Αποχαιρετισμός

**Greece and the New Millennium:  
Signposts to a Point of Departure**

Speech by the Greek Prime Minister Costas Simitis  
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Ladies and Gentlemen

I would like to thank the Woodrow Wilson School for this kind invitation. It is a great pleasure for me to be here today and to talk to you about Greece on the eve of the new millennium, about where we are and where we are headed.

**Greece in transition**

Greece today is a very different place from what it was even a few years ago. The political, economic and social landscape in the country is fundamentally different.

We have transformed an economy with ~~multiple~~ deficits, economic imbalances, stagnant growth rates and real divergence from our European Union partners into one of the most dynamic economies of Europe. Growth is averaging 3.5 per cent annually, inflation has been brought down from double-digit levels to nearly 3 per cent,

the budget deficit has been reduced to almost 2 per cent of GDP, investment is growing at a rate of 10 per cent.

At the same time, we have managed to keep intact and reinforce our social policies. We have fought for stabilisation and economic development without compromising the goal to maintain and deepen social cohesion.

Greece's past, determined by underdevelopment, had allotted it the fate of a developing country for many decades. Our immediate neighbours remain in this condition. We have in the last few years steadily climbed the first rungs of the ladder of the industrially most developed countries.

Despite our successes, we are still facing important problems. [The achievements in the economic front require constant vigilance and further structural reforms for them to be sustained over time.]

We continue to have a bloated and bureaucratic public sector, as well as outdated institutions, which make further progress on both the economic and social front difficult. We are faced with persistent unemployment, a factor that



is creating a real feeling of anxiety, especially among the young, and is putting a strain on social cohesion.

Finally, we live in a corner of the world that has always been and continues to be a source of much instability, with neighbours whose good intentions cannot always be taken for granted.

### **Our goals and our policies**

Our country's ability to face the problems and rise to the challenges of the 21st century will depend on the Greek society's overall capacity to comprehend and adapt to the changes that are taking place in the world. It will depend on our capacity to develop institutions and policies that are compatible with the new demands of economic and social development.

Today our success depends on our collective capacity to turn change into progress. It depends on:

- our ability to direct our forces in order to strengthen the Greek economy, so that we can generate growth, wealth, and jobs
- our ability to overcome the resistance to social solidarity and to maintain cohesion within the country

- our ability to stand on our own next to our European Union partners and achieve not only institutional, but also real parity in negotiations on major issues concerning the Union's course
- our ability to take advantage of our participation in the European Monetary Union to enhance our competitiveness, undertake new political initiatives and further reduce the inequalities in the distribution of income and opportunities
- our ability to disentangle ourselves from institutions that have served their purposes in the past and transform them into institutions that will serve today's and tomorrow's purposes
- Our ability to reform government so as to make it more efficient, accountable, responsible and attuned to the real needs of citizens and enterprises.

In all our efforts, certain values and political choices guide us. I strongly believe that political action is not just a question of expediency. That it needs to be rooted in certain core beliefs: opportunity for all, individual and



social responsibility, and a sense of community and solidarity.

Our policies flow from these values and from the principle that what matters is which initiatives work best in order to realise our values. Thus, with the right policies, social objectives can be met with the use of market mechanisms, new technologies represent opportunities rather than threats, and social justice can be promoted also through innovation and entrepreneurship.

Our actions and policies are aimed at meeting five broad policy objectives:

- creating a modern, dynamic and sound economy;
- preserving social cohesion and creating a strong civil society;
- reforming government and improving the quality of life of citizens;
- making us equal partners in Europe; and
- strengthening the role of Greece in the international scene.

## **Creating a modern, dynamic and sound economy.**

Our first response to the changes underway in the international economic and social environment is our consistent effort to create a modern, dynamic and sound economy.

A strong economy has always constituted the basic condition for a weak country to climb the ladder of development, to address more successfully its basic problems, to achieve development and social convergence, as well as to protect its interests.

Our starting point has therefore been to create the conditions that allow the accumulation of physical and human capital, technology and knowledge as well as the creation of institutions making society more cohesive and stronger in mobilising its forces.

This is a complex and multi-faceted effort, and has involved macroeconomic policies to stabilise the economy and restore its basic equilibria, coupled with a policy of structural reform to unleash creativity, entrepreneurship and private initiative.



For a number of years now, we have followed a stabilisation policy, with the conviction that a stable economic environment is not only a precondition for prosperity, but also a constituent part. It creates a climate of trust, helps develop new investment and job opportunities, and increases growth, employment and incomes.

We are proud of our achievements. Our stabilisation policy has resulted in historically low levels of inflation, deficits and interest rates and in one of the strongest economic growth rates in Europe. The success of this policy has brought Greece at the point where it can participate as an equal in the European Monetary Union.

We have accompanied this macroeconomic policy with a vigorous policy of structural reform in product, labour and capital markets, and a new partnership with the business community.

We are in the midst of the largest privatisation plan in the nation's history, whereby the state cedes part or total control of enterprises in a number of areas of the economy, and most notably in public utilities (telecommunications, transport) and the banking sector.

This privatisation package, coupled with a policy to enforce antitrust rules and create a more competitive environment, will reduce inefficiency and waste and improve the cost and quality of services. It will create the conditions for new investments and job creation, and allow for the modernisation of important sectors of the economy so that they can face international competition.

We are also embarking on a number of other structural reforms. Tax reform is one important project that is underway, with the aim to simplify procedures and lighten today's heavy tax burden on both individuals and firms.

Labour market reform is aimed at increasing the employability of workers and improving their skills. This will allow them to face the demands of the working environment in what are increasingly knowledge-based economies. Education reform and policies for lifelong learning aim at building up our human and intellectual capital – an economy's and a society's most valuable asset.

The reform of social security is aimed at making the system more effective, fair but also more viable in the long-term, while the reorganisation of public enterprises to



make them better at delivering quality services at a reasonable cost. Broad-based regulatory reform will finally help create an environment that is more propitious to innovation, risks and entrepreneurial initiatives.

### **Preserving social cohesion and creating a strong civil society** *is our second aim*

Technology and globalisation are driving the world and are increasingly restricting the independence of national economies. They are creating a constant need for countries and economies to remain competitive internationally and are increasing the pressures for – often painful – adjustments to constantly changing international conditions.

Preserving social cohesion in this turbulent environment is of paramount importance. A strong civil society built on shared values and with well-defined individual and social rights as well as obligations is a necessary counterpart to the dynamism and dominance of the market.

Unfortunately, the old methods for preserving social cohesion no longer work. The extensive social transfers that characterised the welfare state of the post-world

period have degenerated into a system that offers protection at a heavy cost, but no outlet to the individual's need for creative activity. It is a model that absorbs increasing resources, while offering services of diminishing quality to the majority, and creating extremely favourable conditions for small groups.

We want to create a new welfare state that is better suited to the requirements of the 21<sup>st</sup> century. One that is built on a healthy fiscal basis, and characterised by long - term stability. One that secures solidarity between generations and within generations, and that takes account of the new social stratification and the variety of circumstances and conditions of each social category.

Three basic principles determine our policy for maintaining social cohesion and creating a strong civil society: basic protection, reintegration and equality of opportunities.

We understand the new welfare policy, as a wide-ranging policy including housing, health, pensions, unemployment insurance, support for multi-member families and maternity, but also addressing issues related to recreation, culture and sport.



It is a policy that needs new instruments and institutions. Moreover, it should not treat workers, pensioners, the insured, patients, and the unemployed as general social categories. Services should be individualised, focusing on actual needs. Society needs to develop solidarity mechanisms wherever needed, aiming not only at basic protection or reintegration, but also to a continuous and substantial equality of opportunities.

### **Reforming government and improving the quality of life of citizens**

Greece has traditionally had a large public sector whose effectiveness in delivering services has left much to be desired. It has had a bureaucratic government that has seldom been truly accountable for its actions, and that has tended to centralise power and decision-making.

In today's modern societies, government is called upon to perform its traditional functions in a more effective way but also to address new needs. ~~In many countries, this has led to a reappraisal of the size, role and functions of the state.~~ We have come to realise that what counts is

leverage, not size; that the key to the role of the state and of government in modern society is not how big it is but what it does and how well it does it.

There are certain characteristics of the public service that do not change in time: the provision of quality services, ability in executive planning, effective and low-cost action, care for the citizen, impartiality towards the citizen. These are the general properties that any public service, of any nature, and any state at any time should demand and civil servants should be able to offer.

At the same time, there are new and pressing problems that government is called upon to address. They involve for example safeguarding citizens' security, without prejudicing the institutional guarantees of the rule of law and without development of racism and xenophobia; upholding the rights of citizens in the new digital networks; or dealing with environmental protection and the emergence of a post-industrial model of development.

Our efforts to reform government and rethink the role of the state have been in two directions. The first is modernising the institution of government itself: creating a modern democratic state, modernising the administration,



and improving relations between the state and the citizens. New technologies, new practices and new methods of work have helped in this direction.

The second direction is towards the strengthening of regional and local government, the transfer of authority to levels closer to the citizen. We have in the last few years steadily transferred power and responsibility to the regions and to local government, giving them the tools to be able to deliver better services at a closer proximity to the citizen.

At the same time, we have moved to strengthen international co-operation. Many problems today that governments are called upon to address require international solutions. Joint and common treatment of a series of problems exceeding the borders of a single state - such as climate change, international crime fighting, immigration control, control of international financial speculation, participation in the globalised economy – has become indispensable.

## **Equal partners in Europe**

Soon our country will be incorporated as the 12th member of the Economic and Monetary Union. On the first day of the new century, it will enter the biggest zone of monetary stability of our age; Greece will enjoy all the benefits and undertake all the obligations pertaining to its participation as an equal in a new pole of power in the international economy.

Trading in the Greek Drachma for one of the most powerful currencies in the world will create a feeling of confidence and optimism to the ordinary citizen and the whole production system. It will also make our country much more attractive for international investment and remove a source of continuous uncertainty which has been distressing savers, consumers, farmers and businesses.

Greece is entering the Economic and Monetary Union as an equal member. We neither beg, nor negotiate from a weak position. The Greek people have earned their participation through hard work and sacrifices.

We have repeatedly said that the Economic and Monetary Union is not a <sup>remedy for all our problems</sup> panacea; that our admission will not solve all our ~~problems~~; we will not automatically eliminate



poverty and economic inequalities. However, we will have acquired a more solid basis enabling us to shape a society more characterised by justice and solidarity, a solid basis for growth and development.

Our admission creates commitments as well as opportunities. It guarantees that sacrifices and efforts of years will not be at the risk of being reversed as a result of government profligacy or misplaced initiatives. It secures a stable environment, allowing us to program actions, undertake risks, and develop investment initiatives. At the same time, it imposes a systematic and consistent focus on policies aimed at strengthening productivity and competitiveness in the Greek economy.

The Economic and Monetary Union, in addition to fostering economic stability and competitiveness, opens new roads for prosperity. European governments are today bringing to the focal point of their concerns and policies the critical issues involving the European model of prosperity. They attempt to give answers to the fundamental questions of employment, living conditions and quality of life of their citizens. Greece intends to participate fully in this process.

We must admit that the first steps are difficult and timid. Greece will fight for the formulation and implementation of this policy. We want a Europe that is not only productive and competitive, but also deals effectively with the major modern problems of its citizens' life and security.

Thus, we must now begin to formulate the design of the post-entry era and give specific answers to how we are to use the resources available in that direction. For example, in employment, in the development of infrastructures, in the modernisation of our society's institutions, in the upgrading of its human capital, in creating a better quality of life for citizens.

At the same time, in a world dominated by the prerogatives of international markets, it is vital to safeguard our national identity, while participating in the European project and in world markets. There are some dangers in this respect, but also the will to create new dynamics, based on our traditions.

The Europe that will allow us to advance will be a Europe respecting our singularity, a Europe embracing a common reality and many distinct realities at the same time,



because Europe is created on the idea of unity through difference.

The Europe we aspire to is a Europe believing in pluralism, nurturing multiculturalism, creating a framework that will enable all citizens to express themselves, and constituting an area where many cultures, many lifestyles and many ideals can flourish. Within the context of this Europe, defensive seclusion and introversion would be a recipe for cultural and national suicide.

### **Strengthening the international role of Greece**

Greece is the only country that is both a member of the European Union and NATO situated geographically in the Balkans. As such, we are a factor of peace, stability, co-operation and development in our region, ~~adhering to international law and the status quo.~~

Our foreign policy is governed by certain simple principles:

- the adherence to international legality, the respect for the rules of international law in international relations, the renunciation of violence as means for solving problems and at the same time the decisive use of

any legal means in the event of our national interests being at stake

- the acceptance of the importance and the role of international organisations, institutions and co-operation procedures with our full participation, in a constant effort for their strengthening and integration
- the support to the procedures for the promotion of collective systems of security, co-operation and peaceful solution of international disputes
- fighting of xenophobia, nationalistic attitudes, racism, the isolation of countries from the international community, and the practical expression of solidarity

We work for the rapprochement of the Balkan states with the European Union and we contribute decisively to inter-Balkan co-operation at a multilateral and a bilateral level. We undertake peace and mediation initiatives in the existing crises and we promote investment and economic co-operation projects. Within this context, one of our top priorities is the improvement of our relations with the



Former Yugoslav Republic of Macedonia and the constant support of the democratisation process in Albania.

It is in this light that we see our role in the current crisis in Kosovo. In front of our eyes is unfolding a humanitarian tragedy of proportions unseen in Europe since the Second World War. All civilised nations have a duty to help solve the crisis and relieve the plight of the refugees.

As members of NATO we have actively co-operated with our allies on this issue. We have however stated from the beginning that we will not participate in military operations. We are neighbours with Yugoslavia and we would like a political solution. Yugoslavia should give the people of Kosovo a wide measure of autonomy, respect their human rights and seek a peaceful solution to the problem. We have unequivocally condemned the practice of "ethnic cleansing" that Serbia has pursued.

One of the tragic results of the crisis is the creation of a large refugee problem. The Greek government has undertaken in this respect a number of initiatives both within NATO and with its European Union partners in order to provide humanitarian relief and help find a political

solution. It is of paramount importance to ensure that the refugees remain close to their country of origin.

We believe that the continuing use of force cannot lead to a permanent solution to the Kosovo problem. We have urged our NATO allies to explore the possibilities for a new peace initiative and dialogue between the parties involved. We seek a political solution, we demand that human rights are respected and our goal is the restoration of stability in the region.

Our relations with Turkey are governed by the principles of international law and international treaties. Under these treaties, there is an appropriate organ of competent jurisdiction for judging Turkish claims, the International Court of Justice in the Hague.

Such relations are made difficult by the escalation of Turkey's claims, under the general tolerance it enjoys thanks to its position in the area and its secular character as a bulwark against the rise of fundamentalism.

Because of the extended political crisis in Turkey (the conflict between Islam and Kemalism, the Kurdish issue, the lack of respect for human rights, the hostile behaviour



towards Greece), this country continues to play a destabilising role in the greater area and represents a serious threat to our sovereign rights. This forces us to engage an important part of the national resources in armaments, which could be channelled to peaceful and developmental social projects instead.

We would like a democratic Turkey, where human rights are respected; a Turkey accepting the democratic framework and the basic social and political values adopted by the European Union. This is why we accept in principle the European orientation of Turkey, under the principles, terms and conditions applying to all the European Union members as well as its candidate states.

The Cyprus issue continues to be a national priority for us. Our strategy remains the pursuit of a solution to the Cyprus issue on the basis of the United Nations resolutions. (We consider inadmissible any change of this basis for the solution to the problem.)

Our position is for a united Cyprus, in the form of a bizonal and bicomunal federation, which will secure the position and the rights of both communities within the framework of

one state, one sovereignty, and one international presence.

For this goal to be realised, the broadest possible political consent is required, as well as close co-operation between Greece and Cyprus and a persistent spotlight on the international dimension of invasion and occupation.

In this context it is important for the procedure of Cyprus's accession to the European Union to be completed. At the same time, the joint defence doctrine remains in force, and our country's position remains that any new threat against the island will be treated as an issue of national security. This is why we believe that the proposal by President Klerides calling for a de-militarisation of the island is a step in the right direction, and we support it.

Finally, I would be amiss if -- in the United States, the country with the greatest number of Greeks living abroad - - I did not mention and pay a tribute to the special role that the Greek Diaspora plays in the development of our country.

They have been a constant source of both pride and support for us, and we see them as active Greek citizens. I



know that the entire Greek Diaspora joins in our national aspirations and supports significantly the effort made by the Greek government for a powerful and modern Greece.

Ladies and gentlemen

My government has worked hard to secure the passage of Greece from the economic and social periphery of Europe to a position of dynamic development, prosperity, social cohesion, a powerful, <sup>a</sup>respected and reliable presence in the international scene.

This position will transform our country into a pole of stability amidst a world of increasing uncertainty and constant change. Thus, we will be able to face the new problems and respond to our citizens' expectations from a stronger footing.

Greece and the Greeks are facing the new century with hope and self-confidence.

Thank you.