JOHN CARR LOOKS AT THE FIGHT BY THE PRIME MINISTER TO BRING IN ECONOMIC REFORMS

The Tony Blair of the Mediterranean

POLITICS

The first nine months of 2001 were a frustrating time for Costas Simitis, the Prime Minister of Greece. He faced resistance from the left wing of his Panhellenic Socialist Movement (Pasok), and had to tackle the labour union movement which was intent on blocking the market and labour reforms he wanted to introduce.

Earlier in the year, as Athens resounded to the slogans of massed strikers bringing traffic to a standstill, and demanding that Greece's over-generous — and in the long-term ruinous — social insurance and pension system be kept in place, the usually patient Mr Simitis became fed up. In one of the very few political gambles of his career, he called a national Pasok convention for October, six months ahead of schedule.

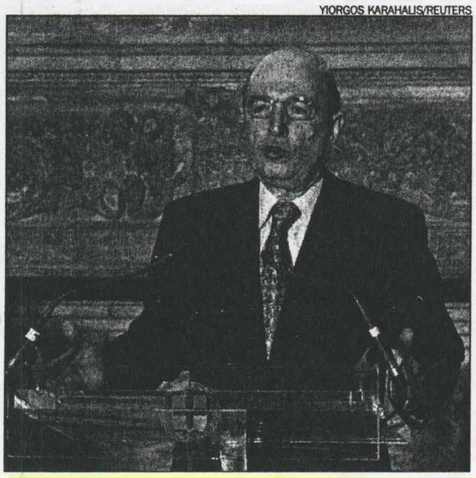
Then, after September 11, petty Greek politics seemed just that. Rival party figures who had made noises about challenging Mr Simitis for the Pasok leadership found themselves on the wrong side of the tracks, as the Prime Minister loyally supported the war on terrorism. Serious challenge became unthinkable. Thus strengthened, Mr Simitis sidelined the opposition and placed one of his confidantes in the economy ministry — Nikos Christodoulakis, a no-nonsense technocrat with no time for old socialist populism.

Within two weeks, things began to happen. Greece's two biggest banks announced a surprise merger, the stock market's nose began to lift after a two-year loss of altitude and Mr Simitis's programme of privatisations looked as if they might at last get off the drawing board.

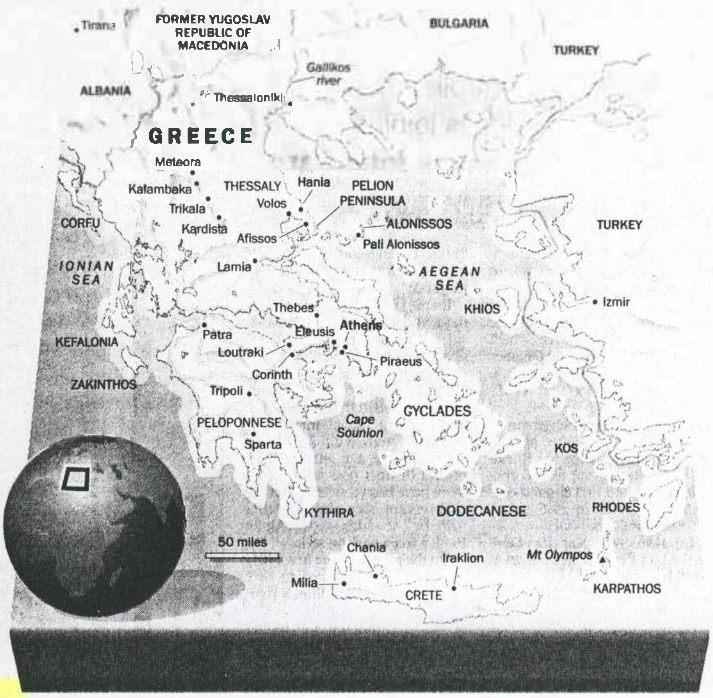
If Mr Simitis's efforts to install a Mediterranean-type Blairism have met with some success, there is an undercurrent of discontent at the social cost.

AP

YIORGOS KARAHALIS/REUTERS



Costas Simitis: pushing through privatisation and labour reforms



Some members of the Pasok party, in power for 17 of the past 20 years, seem to be acquiring a one-party-state mentality. Big business has come to enjoy the advantages of being friendly with some socialist bigwigs, especially when it comes to public works contracts.

There is little or no regulation of the media. Pensioners and low salary earners feel badly done by in the wake of 13 years of economic austerity that somehow has done nothing to diminish the number of luxury cars on the streets.

In April 2000 Mr Simitis won the narrowest of election victories by a few thousand votes. Since then Pasok has been trailing the conservative opposition, New Democracy, in the polls by half a dozen points. New Democracy's ire is focused on an opaque system linking Government ministers with industry and media interests in what is popularly known as the *diaplekomena*, meaning literally, an entanglement.

Cynical observers would say that by the time the XXVIIIth Olympic Games open in Athens in 2004, contractors inside the *diaplekomena* will have manipulated the operation to their advantage by waiting until the last minute to get their Olympics-related projects going. This way, they say, they can force advantages out of a government with its anxious eye on the clock.

Balancing such a cynical observation, however, is the undeniable fact that the forthcoming Olympiad has jump-started much-needed infrastucture projects. The new Athens international airport at Spata, operational since March, is one. Hundreds of kilometres of new superhighway and planned extensions to the Athens Metro are another, all generously funded by the European Union.

"The Olympic Games has given us the opportunity to do what would have to be done anyway," Mr Simitis said recently, chairing an inter-ministerial committee that oversees the preparations. In his drive to ensure that Athens emerges from the Olympics challenge with its honour intact, he appointed no fewer than seven undersecretaries with Olympics-related dutiesin his October cabinet reshuffle.

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Building on a five-year record that brought down inflation from 12 per cent to 3 per cent, Mr Simitis can concentrate on easing Greece's transition to the euro, starting on the first day of 2002. The drachma, the sterling currency of classical Greece, will go into honourable retirement. The euro is universally expected to enhance Greek financial stability.

Combined with the spate of Olympics-fuelled public spending, that stability ensures a 4 per cent economic growth rate for this year, even accounting for a world economic slump. That's nearly three times the projected European Union average.

Mr Simitis vows he is in the business of making Greece's major business units lean and mean. A start is being made with Olympic Airways, now virtually assured of swift privatisation.

A further tranche of the Hellenic Telecommunications Organization (OTE) will enter the money markets, reducing the Greek Government's stake to a minority holding. Following them will be the lumbering Public Power Corporation (DEH) and other utilities, in which the Government will sell off a majority equity. How the unions react to this remains to be seen.

Mr Simitis's previous good intentions have often been thrown off course by left-wing opposition, and already several threatening rumbles, like distant thunder, are being heard.