

FT Interview

Greece in the 21st Century

In most European fora, our European partners were for a long time accustomed to expect special pleading on the part of Greece: the granting of special exemptions, grace periods, long transition periods were often, and necessarily so, the first priorities of the Greek delegations. The country was thus frequently relegated to the role of spectator, who follows others rather than shaping its own destiny.

Our national agenda is to grant our country, once more, a voice. The way to do that is through integration in the global economy and active participation in co-operative structures. Simply put, we must earn the status of an active and equal partner in the EU in deed, and not simply in word.

To achieve this goal we must cover much distance in a short time. Our economic, social and political structures in the last decades reflected to a large extent defensive attitudes born of a certain isolationist and protectionist mentality. The rapid changes in the world outside, the international division of labour, developments in Eastern Europe, but also progress inside the country, have as their result that these structures and mentalities are no longer consistent with the objective situation of the country. Greece should look towards the 21st century with self-confidence.

The attainment of this aim implies the completion of a process of modernisation in three separate, yet interlinked fields:

First, economic modernisation, building the foundations of a productive and competitive economy. Important steps have been made in stabilisation; we are currently proceeding with infrastructural and other investments and with adapting economic structures to support a higher rate of self sustaining development. Key reforms are being made in modernising and streamlining the public sector.

Economic reforms in order to be successful, require progress in a second field, that of building a new and durable social and political consensus. This implies the effective and efficient functioning of political and social institutions, as well as action promoting social cohesion. We must provide credible answers to concerns about employment, guide changes in social protection in the direction of a better functioning welfare state.

The third area of progress is that of the international position and role of Greece. Developments in Southeastern Europe and the Mediterranean give rise to major responsibilities to all countries in the area. The transition process in Southeastern Europe has reached a difficult juncture. If special attention is not taken, there is the danger of an inexorable progression towards a generalised crisis. The countries of Southeastern Europe in the period prior to the transition, had the loosest integration with the World Economy. As a result, reforms had to cover more ground and span a greater

distance. Once their initial momentum was interrupted, intense problems of instability arose in the economy with consequent social and political problems. First priority should hence be accorded to the continuation and acceleration of economic and institutional reform in these countries. Only in that way can they avoid permanently lagging behind other countries of Central and Eastern Europe.

The marginalisation of these countries and the negation of their European aspirations can have enormous destabilising potential for Europe and the world as a whole. Europeans therefore should build into their political priorities a comprehensive policy towards Southeastern Europe in order to avert the slide towards economic and social crisis in Southeastern Europe. Our efforts should primarily involve the formulation of medium and long term policies both to move towards the market economy, but also to rebuild the institutions necessary for the functioning of democracy, the rule of law and the mechanisms of societal cohesion.

Greece has to shoulder a large part of this responsibility. Being a country in which the broad directions of economic and social development enjoy consensus, which at the same time has well-established and growing economic, political and cultural links with the region, Greece can play a part in ensuring that the region moves in the direction of co-operation and development.

Northern Greece, and primarily the regions of Macedonia and Thrace which are the most immediate beneficiaries of the opening

of borders, can provide many instances proving that cross-border co-operation is a major boost to development. The prospect of integration in the European Union, is the concrete vision that should guide policies of all governments in the region.

In short, I think it is true that the start of the 21st century many hopeful prospects for Greece and for the region as a whole, perhaps more than for a long time in our recent history. It is up to us, by working methodically towards clear objectives, to ensure that these opportunities are not lost.

1. Economic and Monetary Union (EMU) preparations

Participation of Greece in the EMU is the highest priority of our government. In this direction, our efforts are concentrated in decreasing inflation and public deficits so as to meet the convergence criteria. Our firm objective is to achieve this goal by 1998 or 1999 at the latest and to participate in the third stage of the EMU by the year 2001.

The achievement of this goal requires us to increase our efforts in the areas of fiscal and monetary policy. It requires also substantial efforts to enhance structural changes and finally to strengthen the productive system and to achieve real convergence. Concurrently, during the same period we have to inform the ordinary citizen as well as the business community about the implications of the introduction of the Euro and the broader gains resulting from participation in this historic event.

Obviously, our success will be significantly affected by economic as well as social developments in the other member countries, especially with regard to convergence policies, growth performance and social attitudes.

On this occasion, I would like to add that the achievement of a more stable climate in our relations with neighbor countries is also a factor which can be of great importance for the success of our policies.

2. Desirable direction for the economy and the society as we approach the next century.

There is no doubt that Greece's economic performance has shown significant improvements in the last four years, and, in particular, the current year. We have succeeded in reducing inflation and the general government deficit to GDP ratio to historically low levels. These figures are indeed the lowest of the last 20 years. At the same time the rate of growth will accelerate to 3.5 percent in 1997, which is well above the average in the E.U.

Growth is based on investment, both public and private, and has significant structural effects in our economy, while at the same time it reinforces productivity and competitiveness. Policy credibility and a constantly improving macroeconomic performance are at the root of a better economic climate both domestically and

internationally, which in its turn leads to lower interest rates, thus creating a virtuous cycle for the Greek economy.

Despite these achievements, we believe, that more needs to be done in the areas of macroeconomic, structural and social policy. The orientation of our economic policy will continue to be anti-inflationary and public - deficit reducing. It will also be supplemented by structural measures aimed at increasing the efficiency of the public sector and the adaptability of the product and labour markets as well as securing the long - term viability of the social security system. As international experience has shown, stable macroeconomic conditions and high growth rates are necessary but not sufficient conditions to lower unemployment.

We have started a process of a social dialogue in Greece to discuss these issues with the social partners and we expect to arrive at useful conclusions regarding the nature of the structural intervention needed. Our aim is to have an economy and a society which combine economic growth and fiscal responsibility with social cohesion and fair shares for all.

We are aware that our vision is also shared by other governments in member - states. During a meeting organised by the Greek government in Athens at the end of June, representatives from European socialist parties discussed a number of issues regarding Growth, Employment and Social Cohesion in the European Union. Among other issues, the participants concluded that we need a more balanced economic policy mix paying equal attention to

stability, growth and employment, a better co-ordination of economic policies as well as a more active intervention of the European Investment Bank and the European Investment Fund to promote investment and support the Small and Medium Size Enterprises; furthermore, they concluded that it is necessary to rethink the Welfare State in terms of a long - term pact between social partners with regard to the social safety net, the promotion of flexibility in the market and of successful adjustment policies.

In the next two European Councils we need to set a framework for a more balanced economic and social policy in Europe. The EMU is an historic challenge for all our countries. But it is coupled with an equally historic responsibility: to secure the confidence of our citizens to Economic and Monetary Union and to our policies.

FT On my way to Turkey last month, I was struck by the optimism which many people expressed about Greek-Turkish relations. I should be interested to know how far you share this, and how you see the relationship progressing from here, both procedurally and in substance.

- Greek-Turkish relations is certainly a highly complex issue. Greece, for its part, is committed to sustaining friendly, cooperative relations contributing to stability, peace and prosperity with all countries and especially with its neighboring countries, including Turkey. Moreover, Greece wants to see all countries of the region more deeply integrated in the new

European architecture. Greece has no claim whatsoever on Turkey. What we consistently want from Turkey is to respect Greece's sovereignty and territorial integrity, to adhere to International law and treaties, to refrain from the use or the threat of use of force in its dealings with Greece and contribute positively to finding a solution to the Cyprus problem. Greece and Turkey recently made a first positive step by adopting a declaration of basic principles which should govern Greek-Turkish relations. As far as Greece is concerned, we will stick to these principles and we expect that Turkey will do the same. On the basis of that, we can work out the next steps for improving bilateral relations.

We have proposed a step by step procedure aiming at improving the state of relations with Turkey. This procedure provides for the referral by Turkey of its territorial claim over Imia to the International Court of Justice; for the recourse by Greece and Turkey to the same international instance to resolve the outstanding issue of the delimitation of the continental shelf; for the resumption of a dialogue on a series of bilateral issues such as trade, environment, transport, customs, etc. Turkey has so far rejected this proposal. I hope that the new government will consider it seriously and accept it, because it is a realistic and fair proposal. So, for the moment, I am neither optimistic nor pessimistic. I am committed to searching for solutions on the basis of clearly defined principles and procedures.

FT The topic of NATO enlargement will obviously be very much in the news at that time, and it would be particularly interesting to hear your views on that, especially as it affects the Balkans, and also on how it relates to EU enlargement.

- NATO has already in its recent summit decided to invite three Eastern European countries to start accession negotiations. This is a historic decision as it demonstrates beyond any doubt the end of the division of Europe. Greece actively supports NATO's enlargement to embrace all countries which have embarked on the process of building democratic institutions, pluralistic society and market economy. In this respect, we believe that the Balkan countries should eventually be integrated into NATO. Stability and peace in Europe are indivisible goods. So the Balkan region cannot be left outside the European structures. The stability of the whole of Europe depends decisively on the stability of the Balkans. We are therefore satisfied that NATO has adopted an «open-door policy» which means that the present wave of enlargement will not be the last. The enlargement of the EU is however an independent process not related to that of NATO. The EU enlargement should be considered on its own merits and on the basis of the criteria the Union has set.

FT Obviously that question is intimately linked with the Cyprus problem, and I hope you would also be willing to talk about the prospects for Cyprus' EU accession and how they relate to the solution of Cyprus conflict.

- Cyprus is a European state which fulfills all the criteria, even the strongest ones, for joining the European Union. The Union has committed itself to starting accession negotiations with Cyprus six months after the end of the Intergovernmental Conference, that is sometime early next year. The Commission has delivered a positive opinion for Cyprus' entry, so Cyprus will be with the first group of states to join the EU.

Of course, we want the whole of the island to become part of the EU. And we hope that the prospect of accession will act as a catalyst in the efforts of finding a viable and just solution to the Cyprus problem. The Turkish Cypriot Community should realize the enormous political and economic benefits that it stands to draw by concurring to a solution that will result in the whole of the island being part of the EU. We hope, therefore, that the process for finding a solution which has restarted recently, under the auspices of the UN Secretary, will lead to positive results, so that a just and viable solution to the Cyprus problem is found, based on the UN Resolutions and Principles. Failure to do so, because of Turkish intransigence, should not and could not affect Cyprus' process to enter the Union. This should be plainly clear to all.

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α. Θέμα
Προσέλευση 23/7
Τελεσίση 26
Με τα θέματα συζητήσιν

June 26, 1997

2/7/97

Fax to
Mr Nikos Themelis
Office of the Prime Minister
Athens, Greece. (Fax no. 00301 671 6880)

From Edward Mortimer, Foreign Affairs Editor, Financial Times

Dear Mr Themelis,
Please find enclosed a letter to Mr Simitis, which I hope is the kind of thing you had in mind when you spoke to Kerin Hope yesterday.
Needless to say, I am thrilled that the prime minister is willing to give us an interview, as I know this is not part of his normal working habits. We are of course honoured that he should recognise the FT as the best medium for explaining his policies to a European and international public.
It will also be a great pleasure to meet you again. I have a very pleasant memory of our chat in Athens just a year ago.
As for dates, I understand that Mr Simitis would prefer to do the interview after the Madrid summit, which is on July 8-9. That suggests that perhaps the best date would be Friday 11th or, failing that, one day the following week. As far as I am concerned the main constraint is a dinner which I am hosting in London on Tuesday 15th. That would be compatible with doing the interview on Monday 14th, or at a pinch on the Tuesday morning, but not on Wednesday unless in the evening.
Please let me know, at your earliest convenience, which precise date and time will fit best with the prime minister's schedule.

All best wishes.
Yours sincerely,


Edward Mortimer

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H.E. Mr Costas Simitis,
Prime Minister of the Greek Republic,
Athens,
Greece

June 26, 1997

Dear Mr Simitis,

I am delighted to hear from our correspondent in Athens, Ms Kerin Hope, that you would be willing in principle to give an interview to the Financial Times after the Madrid summit. I think this would be of great interest to our readers and I should like to come to Athens to conduct the interview in person, with Ms Hope's assistance.

The topic of Nato enlargement will obviously be very much in the news at that time, and it would be particularly interesting to hear your views on that, especially as it affects the Balkans, and also on how it relates to EU enlargement.

I should also like very much to hear how you feel the preparation for European economic and monetary union is progressing, both in general and as it affects Greece in particular.

More generally, I should like to get a feel of the direction in which you are taking the country, both in terms of the type of Greek society and economy you envisage in the 21st century, and in terms of Greece's European, Mediterranean and regional role. On my visit to Turkey last month I was struck by the optimism which many people expressed about Greek-Turkish relations. I should be interested to know how far you share this and how you see the relationship progressing from here, both procedurally and in substance. Obviously that question is intimately linked with the Cyprus problem, and I hope you would also be willing to talk about the prospects for Cyprus's EU accession and how they relate to the solution of the Cyprus conflict.

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ΓΡΑΦΕΙΟ ΠΡΩΘΥΠΟΥΡΓΟΥ

Πρόεδρε
Το ημερίδιο συνέντευξης που προ-
τείνουν οι F.T. για τη συνέντευξη
την όντως μνηστέα. Είναι σε
εστιακή και σύντομη ανέναντι
εσάς και πιστεύουμε ότι θα γίνει
υπόψιν μας.
Το timing για τα δίδωμι είναι
εφαιρτικό. Μπορούμε εσάς να
δείτε με τη συμπαράσταση σας
"Αύριο" δείτε πως τι συμπαρά-
στα υπάρχουν ή τι όχι για την ελπίδα
αχρη. Ευχαρίστη να δώσουμε
το συνολικό σήμα. NB



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I trust these topics are acceptable to you. Please let me know if there are others you would particularly like to discuss. I am sending this letter with a covering note to Nikos Themelis, in which I make some suggestions about dates and times for the interview.

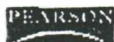
I very much look forward to meeting you in mid-July.

Yours sincerely,

Edward Mortimer,
Foreign Affairs Editor

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