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Simitis: Policy Change Risks Austerity's Gains

National Economy Minister Kostas Simitis resigned on Thursday and said Greece risked losing the benefit of its austerity program after Prime Minister Andreas Papandreou announced a sudden change in incomes policy.

Simitis, architect of the austerity program introduced by the Socialist government in October 1985, quit after Papandreou told Parliament on Wednesday night that wage rises to compensate for inflation in 1988 would be paid in January instead of May.

Papandreou spoke a day after Simitis announced an incomes policy which would have given salaried workers a two per cent increase in real income in 1988. Simitis himself said the policy was unpleasant.

"Yesterday's developments put at risk the efforts of two years," Simitis said in his letter of resignation to Papandreou. "The application of a policy which is certainly going to lead to the opposite result of what I publicly support is not according to my beliefs," Simitis, survivor of five cabinet reshuffles, added.

The austerity program which froze wages and salaries was intended to cut the external deficit and foreign debt and curb inflation.

Strikes by dissatisfied workers and civil servants have been common since it was introduced.

Spokesman Yannis Roubatis told journalists the government was not deviating from its policy of continuing to bring inflation and the current account deficit under control.

Economic analysts said the wage increases would add to the underlying 16 per cent rate of inflation and said an elastic incomes policy was not consistent with curbing inflation.

They said the 23.9 per cent increase in the forecast 1988 budget deficit announced on Wednesday was a sign government expenditure was not being restrained.

Commerce Minister Panayotis Roumeliotis was named to replace Simitis and former Commerce Minister Nikos Akritides will replace Roumeliotis.



Simitis: "Application of a policy leading to the opposite result of what I support is against my convictions."

Simitis' Letter

In his letter of resignation, Simitis told Papandreou: "I confirm in writing the resignation which I submitted yesterday (Wednesday) to you, after your statement and with which you redefined the incomes policy for 1988.

"The incomes policy was agreed upon following repeated meetings with which you absolutely agreed. Its reversal does not find me in agreement. I assumed the national economy minister to restore stability to the Greek economy and to lay conditions for development. Policies applied over the last two years have substantially contributed to this end. Yesterday's development imperils the efforts of the last two years.

"The incomes policy was indeed disagreeable for the working classes. The result was however, that in spite of my repeated exhortations, the government did not wish to reduce the net deficit in the public sector to a great degree. Large deficits in the public sector are not compatible with an elastic incomes policy, when the reduction of inflation remains the prime target. The application of a policy which will certainly lead to the opposite result of what I publicly support is not in agreement with my convictions. I wish to continue to be frank with you and towards the Greek people.

"I hope my fears will prove groundless and that the new minister will achieve what numerical estimates, meetings and the opinions of all experts have shown to be unattainable.

"I would like to thank you for the trust and backing you offered to me. Without you it would not be possible to apply a pol-

Continued on page 4



Hungarian Premier Grosz was welcomed at Athens airport yesterday by Prime Minister Papandreou. See page 3 for report on their talks yesterday.



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Briefly

(Continued from page 3)

Greek Response to Anti-Dumping

The government Wednesday submitted its written observations to the European Court on anti-dumping duties imposed by the EEC for the importation of cotton thread from Turkey.

The Greek side believes that it has the right to intervene, being a member of the EEC, and stressed that the dumping policy applied by Turkey, which has repeatedly been criticised by Greece, constitutes a permanent problem for the Community's textile products market.

Farm Ministers Fail

BRUSSELS (ANA)—The last efforts made by agriculture ministers from the EEC which were aimed at finding a compromise solution for the curtailment of agricultural expenditure prove fruitless. EEC sources said that in spite of progress made in certain sectors of the agricultural economy, differences between member states did not allow for a rapprochement and the session was discontinued.

Greek Agriculture Minister Yiannis Pottakis said that the restrictive policy of prices and of the production of agricultural products should be offset with measures of social and economic character. He said that restrictive policies will have an economic, social and political cost which will be intolerable for the less privileged areas of the Community.

Agricultural policies are to be examined by the EEC summit conference in Copenhagen at the beginning of December.

DM to Meet Carlucci

BRUSSELS (ANA) — Deputy Premier and Defence Minister Yiannis Haralambopoulos will meet with the new U.S. Defence Secretary Frank Carlucci in the framework of the autumn session of the Defence Programming Committee (DPC) of NATO, scheduled to take place in Brussels from December 1-2.

The session will be attended by defence ministers of member states of the alliance with the exception of France, which does not participate in the military wing of the alliance.

NATO circles said that Carlucci has expressed the wish to meet individually with all his counterparts in Brussels.

The same sources said that Haralambopoulos will also meet with NATO Secretary General Lord Carrington on Monday.

No Gov't Reshuffle

A government spokesman yesterday denied that a government reshuffle was being considered but declined to comment on the future status of former National Economy Minister Costas Simitis, who resigned yesterday.

The spokesman said that the cabinet will convene under the chairmanship of Premier Papandreou today and that the premier will make announcements which he did not specify.

He said that Simitis announced earlier in the day that he will stay with the ruling PASOK Party and its Executive Committee.

The spokesman also said that Grigoris Solomos will be sworn in today as the new health and welfare undersecretary.

Stock Prices Drop

The chairman of the Athens Stock Exchange yesterday said that the price of stocks fell yesterday on an average of 12 per cent.

He attributed that decrease to the clause included in the new state budget which obliges companies to pay an extra contribution on their profits gained in 1986.

Desta Meets Florakis

Ethiopian Vice President Fisseha Desta yesterday met with Greek Communist Party leader Harilaos Florakis and discussed the labour movements of the two countries.

Desta has held talks with President Christis Sartzetakis, Premier Andreas Papandreou and with Foreign Minister Carolos Papoulias.

He also gave Papandreou an invitation by the Ethiopian president to visit Ethiopia, which was accepted.

EEC Inflation Rate

BRUSSELS (ANA) — Provisional statistics of the EEC show that inflation for the EEC in September increased by 0.5 per cent. The worst inflation rate was recorded in Greece in October (3.1 per cent).

The lowest inflation rates for the period were registered in Western Germany (0.2), France (0.2) and Luxembourg and Belgium (0.1).

Greece had an inflation rate of 2.2 per cent in September, the main reason for which was attributed to increases in the prices of shoes and clothes as well as to the effects of value added tax on these commodities.

The annual inflation rate in the EEC at the end of October was 3.4 per cent compared to 3.1 per cent in the corresponding month last year.

Ozal Seems Likely to Win New Term in Turkish Elections Sunday

ANKARA, (Reuters) — Turkey, moving to dispel an image of ruling generals, poor human rights and a hazy democracy, is likely to keep Prime Minister Turgut Ozal in power in a general election on Sunday.

The poll for a 450-seat National Assembly is the most open since the military returned to barracks in 1983 after a third period of army rule since 1960 to stamp out political chaos.

Public opinion polls predict Ozal's ruling Motherland Party will easily win a second five-year mandate to carry through wide-ranging economic reforms and press on with his cherished goal of taking Turkey into the Economic Community (EC).

A 10-member delegation from the European Parliament has arrived in Turkey to monitor the election.

Ozal, a conservative 60-year-old technocrat seeking reelection a year before his first term expires, is running on a platform of stability and economic enterprise since taking power in military-supervised 1983 elections.

"There is no political tension in Turkey now. Martial law has been lifted... We have broken the chain of economic problems that lead to political crises," he told reporters.

But many of the 26 million voters still have vivid memories of extremist political violence that took more than 5,000 lives in the 1970s and security will be tight on polling day.

The election campaign has been marred by bomb attacks on Motherland offices and Kurdish rebels have been causing disruption in the southeast of the country.

Two former prime ministers, Bulent Ecevit and Suleyman Demirel, have been allowed to return to the political fray but have not managed to mount a serious opposition challenge.

A referendum last September lifted a ban imposed by the military on 55 former political leaders and Ozal promptly called

Bonn Wants More NATO Aid For Turkey, Greece, Portugal

BONN (Reuters)—West German Defence Minister Manfred Woerner, Bonn's candidate for NATO's top political post, wants the alliance to increase military aid to Turkey, Greece and Portugal, defence ministry officials said on Thursday.

Woerner will make his proposal at a meeting in Brussels of NATO defence ministers next week.

NATO help for Turkey, Greece and Portugal so far has come only from West Germany and the United States. Since 1964, Bonn has contributed more than five billion marks (\$2.8 billion) the officials said.

Turkey has received 3.7 billion marks (2.2 billion) from West Germany, Greece around one billion marks (\$560 million) and Portugal, a recipient since 1978, 750 million marks (\$440 million).

Bonn does not plan to wind down its own commitment to the defence build-up in the three poorest countries in NATO, which form two strategic cornerstones of the alliance.

"More countries should do more, not we less," a defence ministry official said.

Chancellor Helmut Kohl has nominated Woerner, 53, to succeed Britain's Lord Carrington when he retires as NATO secretary-general next June.

Airport Improvements

The public works ministry yesterday announced that projects of a total value of 3.3 billion drachmas are currently being carried out at airports throughout the country and that they are expected to be completed within the year.

The statement added that improvements are being made for runways at the Athens airport and additional equipment is being provided for the control tower.

Other major projects include 250 million drachmas for the airport on the island of Astypalea, 150 million drachmas for the airport on Zakynthos, 900 million for the airport on the island of Naxos, 350 million for the Cephalonia airport, 400 million for the Santorini airport and 250 million for the Heraklion airport.

ND Women's "Blue Day"

The women's department of the New Democracy Party yesterday announced the organisation of a "Blue Day for Humanity" (blue is the colour of the New Democracy Party) scheduled to take place on December 17.

A circular issued to 3,600 women's organisations all over the country calls on 200,000 women members of the party to display their humanitarian feelings on this day by visiting hospitals, old people's homes, orphanages, asylums, prisons and other places where human pain requires relief and solidarity.

Australian State Premier

Victoria State Premier John Cain arrived in Athens late last night for a visit to Greece scheduled to last until Sunday when he will be flying to Rome.

Cain will today meet Premier Andreas Papandreou as well as Alternate Foreign Minister Yiannis Kapsis and Culture Undersecretary Philippos Petsalnikos, who is responsible for matters concerning Greek expatriates. Cain will visit Salonica on Saturday for talks with local government officials.

an early election, giving them little time to organise renewed bids to regain power.

Ozal's main rival is Erdal Inonu, an academic who runs the Social Democrat Populist Party (SDPP) along lines of Europe's Social Democratic parties. He supports Turkey going into Europe.

Inonu, son of an ex-president who was a close aide of Turkey's founder Kemal Ataturk, has made an impression on television campaigning this week.

"Either get rid of Ozal and see some relief or continue suffering," he said in a swipe at rampant inflation which is likely to hit 45 per cent by the end of 1987.

The high inflation rate has been one of the issues in a low-key campaign, along with the Ozal's leadership style. Critics have accused him of being high-handed.

There has also been a question mark over Ozal's health. He had heart surgery last February and had to curtail campaigning.

Seven parties, from Islamic fundamentalists opposed to U.S. forces in Turkey and EC membership to anti-Communist leftists seeking more power for the people, are contesting the election.

The Motherland says none of the opposition parties has offered a viable alternative to its economic plan, including an export surge, import liberalisation and banking reforms.

Ozal gains much of his support from the big cities of Ankara, Istanbul and Izmir, which have some seven million voters and have benefited most from economic liberalisation.

He commands 249 seats in the outgoing 400-member Parliament and opinion polls point to Motherland winning 250 in the new assembly to be enlarged by 50.

Simitis Resigns

Continued from page 1

icity which is so contrary to the practices of many years. Your cooperation was always valuable to me."

Premier's Reply

Replying to Simitis' letter, Premier Papandreou in a written reply to Simitis, Papandreou said that he fully understood the reasons which led him to the submission of his resignation.

The premier said he wished Simitis would recall it, since "the government would lose one of its most distinguished and able colleagues. Unfortunately, you made it clear to me that you have no intention to continue your task as national economy minister."

"I wish to stress on this occasion that the successful political stabilisation of the economy is to a great degree attributed to your indefatigable efforts to curtail inflation and the deficits in the public sector."

ND Reaction

New Democracy Party leader Constantine Mitsotakis yesterday said that Premier Papandreou's handling of the government's incomes policy was "a monument of political irresponsibility and a regrettable phenomenon of the lack of political ethics" which led to the resignation of National Economy Minister Costas Simitis.

Mitsotakis said that Simitis' letter of resignation fully confirmed the accusation he had repeatedly made that "the premier does not wish to restrict the huge deficits in the public sector and prefers to impose a restrictive policy on the Greek people."

He said it was an unprecedented phenomenon that Papandreou should congratulate Simitis for his consistency in a policy which forced him to resign when Papandreou himself overturned that policy.

Mitsotakis said that "the comical and tragic events of the last two days dissolve the last illusions which few people may have had on the capability of today's government to correct the current economic situation."

"Nobody can have any doubt that the Greek economy will go from bad to worse as long as the ruling PASOK Party remains in power. The only hope and the only outlook for the country are elections, Mitsotakis concluded."

GSEE on Incomes Policy

The General Confederation of Greek Workers (GSEE) yesterday stated that Premier Andreas Papandreou, with his intervention on Wednesday in Parliament, restarted the government's income policy in accordance with pledges made during the Salonica International Fair last September.

The announcement said that the GSEE will adhere to its claims, which have not been satisfied, since they summarize the current claims made by working classes all over the country.

The Athens Labour Centre (EKA) yesterday said that the government's incomes policy is continuation of the austerity policy in spite of corrective movements made by the premier.

The statement also stressed that fact that indirect taxation will increase and that cuts will be made for social expenditure.