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DUPLICATE MESSAGE

APXERO *Greg*

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HMEP 14-4-86

INTERFUND WASHINGTON DC

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URGENT PLS

H.E. CONSTANTINE SIMITIS  
MINISTER OF NATIONAL ECONOMY  
MINISTRY OF NATIONAL ECONOMY  
PLATEIA SYNTAGMATOS  
ATHENS, GREECE

ARTICLE FROM THE ECONOMIST FINANCIAL REPORT, APRIL 3, 1986:

QUOTE: GREECE'S NEW DEMANDS

THE GREEK GOVERNMENT IS UNABLE TO GET ITS COUNTRY'S CURRENT ACCOUNT DEFICIT DOWN. SO IT IS HAVING TO MAKE STRENUOUS EFFORTS TO BORROW CASH FROM ABROAD.

THE BANK OF GREECE IS TRYING TO RAISE A DLRS450M-500M EURODOLLAR LOAN, TO BE UNDERWRITTEN BY THREE LARGE INTERNATIONAL BANKS. THIS FOLLOWS A RECENT DLRS50M LOAN AND INCREASES IN SHORT-TERM TRADE FACILITIES NEGOTIATED BY THE BANK OF GREECE. INTERNATIONAL BANKS ARE SOMEWHAT SCEPTICAL ABOUT HOW MUCH FURTHER GREECE CAN BE SAFELY FINANCED. DEBT SERVICING IS ALREADY PROJECTED TO BE DLRS2.3 BILLION THIS YEAR.

AT THE SAME TIME THE GOVERNMENT IS FINDING IT HARD TO FINANCE ITS HIGH BUDGET DEFICIT. AS A BY-PRODUCT OF LAST OCTOBER'S AUSTERITY PROGRAMME, UNDER WHICH NOMINAL WAGES HAVE BEEN HELD DOWN BUT INFLATION IS STILL A HIGH 25 PER CENT, PEOPLE HAVE BEEN DISSAVING AND RUNNING DOWN THEIR BANK DEPOSITS. THE GOVERNMENT HAS BROADLY THREE WAYS OF DEALING WITH THIS: IT CAN INCREASE THE MONEY SUPPLY BUT THAT WILL FUEL INFLATION, IT CAN RAISE MONEY THROUGH ITS "ADVANCED DEPOSIT SYSTEM"--A TYPE OF IMPORT DUTY THAT HAS BROUGHT IN 50 BILLION DRACHMAS (DLRS340M) SINCE ITS LAUNCH IN OCTOBER: OR IT CAN BORROW FROM ABROAD. A DEVIL'S DILEMMA.

ON THE CURRENCY FRONT, THE "GREEN" DRACHMA, USED FOR CALCULATING GREEK FARM PRICES UNDER THE EEC'S COMMON AGRICULTURAL POLICY, IS SET FOR ANOTHER REVALUATION. BY END-APRIL, IT WILL BE WORTH 121 NORMAL DRACHMAS AGAINST 102 TODAY, COSTAS SIMITIS, THE GREEK MINISTER FOR NATIONAL ECONOMY, TOLD FINANCIAL REPORT.

MEANTIME, THE IMF HAS SHIFTED GREECE FROM ITS CENTRAL EUROPEAN AREA TO ITS SOUTHERN EUROPEAN AREA. TEREZA MINASSIAN, WHO NEGOTIATED PORTUGAL'S 1983 STAND-BY AGREEMENT AND IS NOW ON THE GREEK DESK, IS SCRUTINISING THE COUNTRY'S STATISTICS. SHE IS DUE IN ATHENS IN JUNE FOR THE IMF'S REGULAR YEARLY CONSULTATIONS. A TRIP TO WATCH. END QUOTE.

NIKOLAOS COUMBIS  
INTERFUND

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