

military manpower from 670,000 troops (including the People's Army inherited from East Germany) to 340,000, half of whom are professionals. Government and opposition want to keep conscription, seeing it as a vital link between army and society. But France's recent move to end conscription has put pressure on Germany. If further budget cuts now force a drop in the intake, so few young Germans will serve that the system would be patently unfair. That could wreck it, the defence ministry fears. Fully a third of conscripts already drop out as conscientious objectors.

Since nobody is more sentimental about the draft than the chancellor (who calls the Bundeswehr "the army of our sons"), a truce will doubtless be reached in the Waigel-Röhe battle when the government approves the 1997 budget on July 10th. But no truce is in sight in the battle with the opposition over the austerity package, which goes well beyond the cuts Mr Waigel wants.

In hectic sessions of the Bundestag, the lower house of parliament, Mr Kohl's conservatives last week struck at Germany's generous welfare system, by voting for curbs on sick pay, worker-protection guarantees, spa cures and other privileges that Germans have long taken for granted. Next week they aim to raise the retirement age for both men and women to 65 after 2000 (from 63 and 60 respectively) and to push through measures cutting unemployment benefits and child allowances.

All this is rejected by Oskar Lafontaine's Social Democratic opposition. This may not matter much in the Bundestag, where Mr Kohl's forces dominate, but it will matter when representatives from the *Länder* (states) start pulling the reforms apart in the upper house. There the Social Democrats hold sway. Their "resistance front", says Mr Lafontaine, is solid. That means more hard bargaining and no final package before September. So far the "friends" of reform hold a narrow advantage. As long as Mr Kohl's money-squeezed ministers can keep the peace among themselves, they should be able to hang on to it.

Greece

The new broom

ATHENS

FACING jeers and whistles from hundreds of sweating delegates in a packed conference hall by the Olympic stadium, Costas Simitis, Greece's prime minister, looked cool and determined. His opponent for the leadership of the ruling Pan-Hellenic Socialist Movement (Pasok), Akis Tsochatzopoulos, ranted hoarsely in a final bid for votes. Most Greeks watching last



Simitis takes his leave of Papandreou

week's congress, broadcast live on television, wanted Mr Simitis to win. He did, by a slimmish margin, getting 54% of the votes cast. Mr Simitis also won control of Pasok's 200-member central committee, its main decision-making body. But his duel with Mr Tsochatzopoulos is not over.

Because the congress opened the day after the elaborate state funeral of Andreas Papandreou, Pasok's founder, emotions were running unusually high. Mr Simitis's criticism of Mr Papandreou's autocratic ways further raised the temperature. So did his threat to resign as prime minister if he failed to become Pasok's chairman. Most members of Pasok's "politburo" (a nickname reflecting the party's Marxist origins) favoured a power-sharing deal to split the jobs of prime minister and party leader and so curb Mr Simitis's zeal for economic reform. The politburo will be replaced by a new executive to Mr Simitis's liking.

So Mr Simitis can now pursue his hopes of dragging Greece out of its Balkan backwardness and raising it to something like West European levels of efficiency. The day after his victory, foreign investors keen to take advantage of high interest rates on a new issue of government bonds pumped in more than \$500m. Greece is at last setting up an agency to shepherd foreign companies through the bureaucratic maze and help them get government grants to set up factories in the north-eastern province of Thrace, within easy reach of new markets opening up around the Black Sea. Cutting red tape should also speed the disbursement of another 10 billion ecus (\$12.4 billion) of European Union grants for improving Greece's roads, ports and railways. If Mr Simitis succeeds in easing tension with Turkey in the Aegean, still more foreign capital should flow in.

His victory should also break the bud-

get log-jam. His scheme to cut 300 billion drachmas (\$1.2 billion) a year from government spending—1.5% of GDP—should now, after languishing on his desk for months, win the party's approval. Controls on procurement for hospitals, clinics and so on would be tightened, and local-government spending capped.

But the biggest battle will be over that curse of Mr Papandreou's Greece: patronage. Mr Simitis wants to cut the public-sector payroll by hiring only one new civil servant for every three who leave. But the 40% of Pasok's members who are public-sector workers will fight ferociously to keep their jobs and win new ones for cousins and friends. Mr Tsochatzopoulos, the public-administration minister who has let public-sector employment grow by 2.7% in little over a year, is right behind them.

For the moment, Mr Simitis is being gentle. Rather than sack Mr Tsochatzopoulos and his cabinet supporters forthwith, he will try to win them over. If he fails, he will have no choice but to call an early election, probably this autumn. Opinion polls suggest he would win. He might then start, in earnest, to destroy Mr Papandreou's legacy of an all-powerful, bloated and corrupt state.

Turkey

Welfare state

ISTANBUL

LAST December, when Turkey was holding a general election and battling to be accepted into a customs union with Europe, Tansu Ciller, then prime minister, told everyone that she was the only person capable of saving the country from being "engulfed by the dark forces" of politicised Islam. Last week Mrs Ciller and her True Path Party entered an alliance with those "dark forces", forming a government with the Islamist Welfare Party. She now presents herself as a guarantor that Welfare has no secret agenda to turn Turkey into an Islamic state. Her critics retort that she has given her support to Welfare in exchange for the dropping of a demand for an inquiry into alleged corruption that might conceivably have ended with her having to defend herself before the supreme court.

The demand for that inquiry first came from Necmettin Erbakan, Welfare's leader, and helped to bring down Mrs Ciller's coalition government. His about-turn suggests that, for all the fire of his pronouncements, Mr Erbakan has plenty of normal political pragmatism. This will reassure Turks who fear Welfare's Islamist rhetoric;