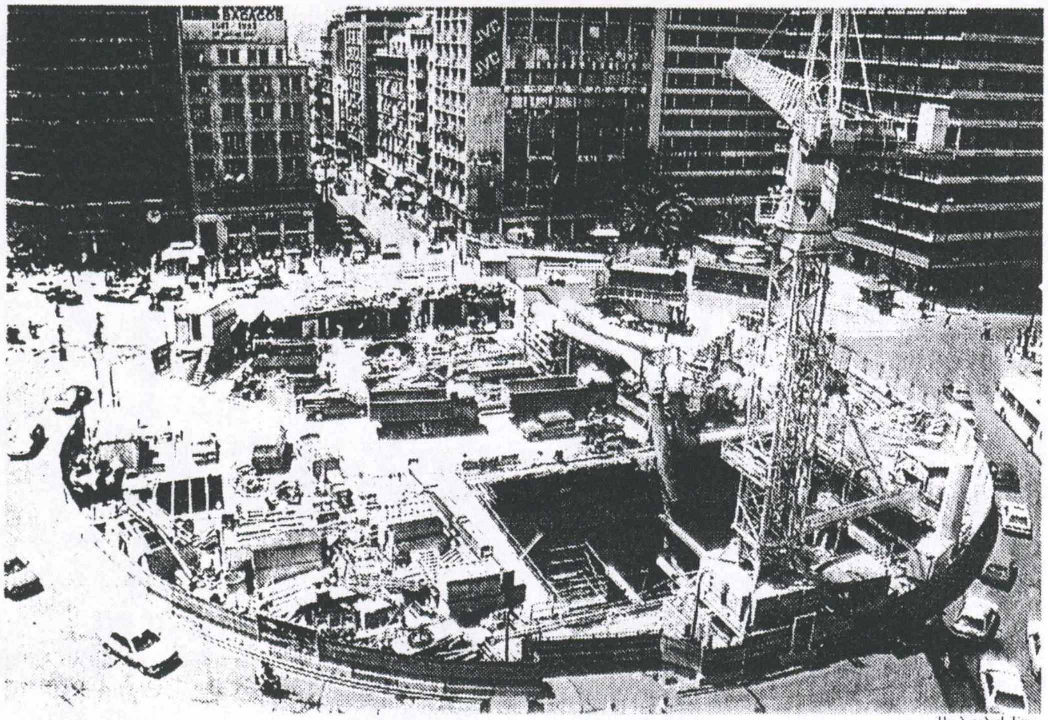

The New York Times

Attempting to revive Greece's economy, the government is spending heavily on infrastructure projects.

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Greek Government Means Business

By John Tagliabue
New York Times Service

ATHENS — For Kostas Sinis, the dream of reviving the Kassandra mines was like a vision of returning to past glory. The mines, after all, have been operating for more than 2,000 years, since the days of Alexander the Great, yielding a variety of metals, from silver to zinc. But they also contain gold, and Mr. Sinis and his Canadian mining company invested heavily to get it out.

By late last year, though, the dream seemed in shambles. Legal battles and environmental protests made work impossible and Mr. Sinis was threatening to pull out.

Then the Greek government stepped in more forcefully than it has in years. The police were deployed to keep the roads to the mines open, work resumed and the big gold-mining project began to move ahead.

Business and government leaders saw this turnaround as a triumph, a break from a socialist past marked by incessant strikes and excessive coddling of labor unions. Blue-chip companies ranging from Levi Strauss to Nissan had packed up and left. In Europe, Greece had become the odd man out, with galloping inflation, a shrinking economy and a budget deficit that by most measures was the worst on the continent.

But the government of Prime Minister Costas Simitis, which came to power in September, is trying mightily to right Greece's flagging economy and lure foreign business back.

With the help of European Union funds, it is investing heavily in projects like roads and airports, offering tax breaks for foreign investment and is relying on a new investment agency to help companies pierce the thicket of Greek bureaucracy.

Already there are signs of progress. Tourism and entertainment companies like Hyatt International and Virgin are investing in Greece. Economic growth this year is expected to be among the best in Europe. Inflation and budget deficits are down and investment is up. So is the Athens Stock Exchange, whose general index is up 65 percent this year, the second hottest market in the world.

"Finally we have a government that is interested in business," said Basil Theocarakis, president of the Theocarakis Group, which is in banking and shipping and manufactures products from furniture to sports jackets. "Yes, there are still troubles. But basically they are on the right path to increase local and foreign investment."

Greece has an awfully big hole to dig itself out of. After 1981, when the country joined the European Union, corporate investment flowed in, often drawn by the lowest wage levels in the 15-member union.

But the Socialist government of former Prime Minister Andreas Papandreou, which governed Greece through most of the 1980s, catered to the demands of organized labor and generally neglected the business community. Major industries like shipbuilding were nationalized. Generous wage accords caused productivity to drop and fired up inflation.

Although Mr. Papandreou was driven from office in 1989, the conservative government that replaced him failed to make things better. By 1993, top corporations had begun to pull out, some to exchange their Greek plants for less costly ones in neighboring Turkey, or in formerly Communist countries of Eastern Europe. In 1993, Mr. Papandreou returned to power, but he died last year and was succeeded by Mr. Simitis.

Last year, Levi Strauss cut its contract with a Greek jeans supplier and began supplying the Greek market from Poland, where wages are about one-tenth what they are in Greece, and Goodyear shuttered a plant in Salonika and laid off 350 workers, focusing future investment in Turkey and Poland. Earlier, Italy's Pirelli tire company closed a factory in Patras after repeated strikes to protest planned layoffs.

But for a microcosm of the recent Greek business climate, and of the turnaround Mr. Simitis's government is attempting, one need look no further than the ambitious, $600 million attempt to modernize the Kassandra mines.

In the 1970s, extensive gold deposits were discovered at Kassandra. But continuous labor trouble — coupled with a drop in the price of lead and zinc, the mines' main products — pushed the mines' owners into bankruptcy. The government, in a solution typical of the times, nationalized the mines to prevent the loss of about 900 jobs. Though production sank to near zero, roughly $11 million was paid in salaries alone.

"The miners kept busy mainly hoeing their vegetable plots," said Mr. Sinis, a former Shell Oil executive.

In the early 1990s, the EU pressured Athens to sell the mines, but no bidders emerged. In 1994, a further effort produced two bids and a $47 million offer from Mr. Sinis's company — he is president of TVX Hellas, a unit of the Canadian mining group TVX Gold Inc. — was chosen over one from Australia's New Crest.

But local community leaders, opposed to increased mining, organized protest demonstrations and cut phone lines. The mayor of a nearby community, Stratoniki, demanded the equivalent of $220,000 to clean up previous environmental damage. During all this, the government stood idly by — until TVX issued an ultimatum: Either clear the way for work or the mines will be shut.

But it was only with the victory of Mr. Simitis last autumn that the pace of change accelerated. Faced with the possible loss of a major investor, the new prime minister named a committee to assure that TVX could work freely and sent the police to restore order.

Mr. Sinis advises watching the progress of the TVX mines to judge the seriousness of government intentions.

"I think we are at the stage where we can see the light at the end of the tunnel," he said. "In a country where progress was delayed for 20 years, it's dangerous to talk about progress," he said. "You have to see things happening."