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Simitis in battle to remain party leader

By Kerin Hope in Athens

Instead of taking a leisurely official trip to China this week, Costas Simitis, the Greek prime minister, is launching a campaign to keep his job as leader of the governing Pasok party.

Mr Simitis has called a party congress for October, six months ahead of schedule, amid rising public discontent with the government's structural reform programme.

He is expected to face a battle at the congress for re-election as Pasok leader, although none of his cabinet critics has yet announced a candidacy. George Papandreou, the popular foreign minister, immediately made clear he would stay out of the running.

Increasing tension within Pasok surfaced last Thursday at a noisy, six-hour meeting of its executive board. The prime minister called off his Asian visit, saying he wanted to end "prevailing uncertainty about Pasok's will to handle the challenges we face".

"The present situation is the result of constant questioning of government policy by people who oppose the country's modernisation," he said.

Mr Simitis and his circle of reform-minded, pro-market Socialists are seen as increasingly isolated from the party mainstream. An opinion poll published last week showed the government's approval rating at just 20.8 per cent, the lowest level since Mr Simitis became prime minster.

For the first time, the prime minister's personal rating, at 37 per cent, slipped below that of Costas Karamanlis, the conservative opposition leader.

Contrary to popular expectations, Greece's entry to the euro-zone in January failed to bring instant benefits. While the economy is growing strongly, the unemployment rate, at just under 12 per cent, remains the second-highest in the EU. Popular hostility to Mr Simitis and his reformists focuses on plans to overhaul the deficit-burdened pension system. The government has frozen a scheme to raise the retirement age from 55 to 65 and merge some 200 pay-as-you-go pension funds.

But the Socialists must stick with pension reform under the EU's stability and growth pact, which requires Greece to make faster progress with reducing the public debt, still the third-highest in the euro-zone at more than 100 per cent of gross domestic product.