

Prometheus unbound

Also in this section

A great lurch forward

Squeezing into the euro has done wonders for the economy. Page 5

The war of the olive branches

There is nothing absolute about the rule of law. Page 6

Roll out the welcome mat

Greece's foreign workers arrived uninvited, but now the country could not manage without them. Page 7

Good neighbours

These days, Greece's interest in the Balkans is reassuringly commercial. Page 8

Blowing hot and cold

Can Greece and Turkey become true friends? Page 11

Enduring virtues

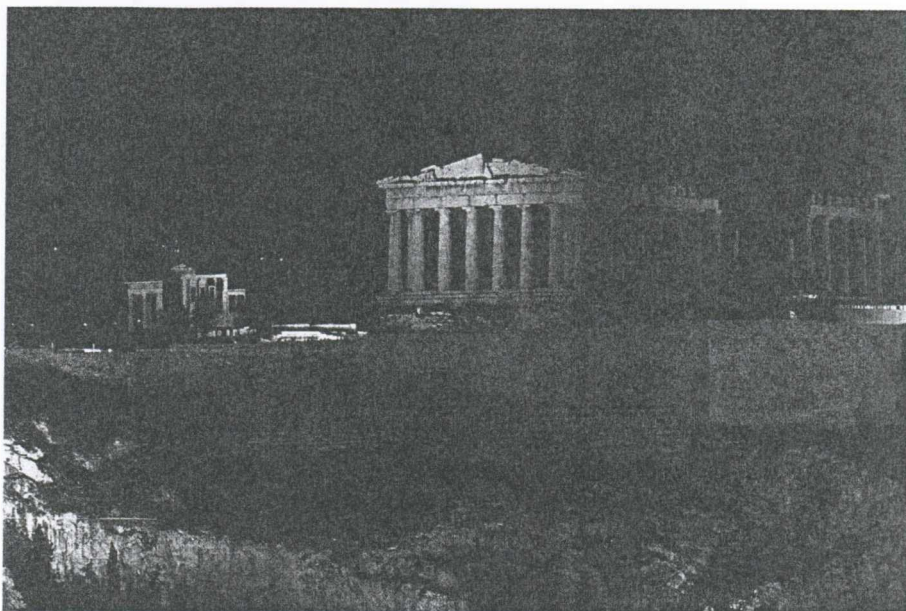
Greece's political dynasties go on and on. Page 12

The road to Marathon

After a few false starts, the Olympics now seem to be on course—but only just. Page 15

A bit more neocracy, please

The young need more opportunities—and more engagement. Page 16



Greece has become much better at harnessing its people's flair and energy. Now it must prove its staying power, says Bruce Clark

STAND on the penthouse roof of a warehouse in downtown Athens, recently transformed into a contemporary art gallery, and your senses will be assaulted by the feverish energy and wild contradictions of modern Greece at the start of its third century of existence. Among the nearby buildings on Sophocleous Street are some handsome neo-classical mansions which now house Greece's new class of investment bankers, stock analysts and bond traders. Also within view are edifices of similar style and vintage that are quietly decaying, their wooden shutters flapping in the breeze. Such buildings are often owned by quarrelsome extended families who find it cheaper to let their properties deteriorate than to comply with a government preservation order.

The horizon is still dominated by the Parthenon, newly endowed with splendid night lights and soon to be linked with the other antiquities of Athens in a four-kilometre-long archaeological park, as part of the city's preparations to display its old and new charms during the 2004 Olympics. But in the foreground there is a maze of narrow streets where exquisite Byzantine churches jostle for space with hundreds of tiny family businesses: spice merchants, icon-painting workshops and purveyors of mournful music brought by Greek refugees from Turkey. The pungent scent of the meat market, a favourite spot with nocturnal revellers, wafts upwards.

Despite the appearance of chaos, the

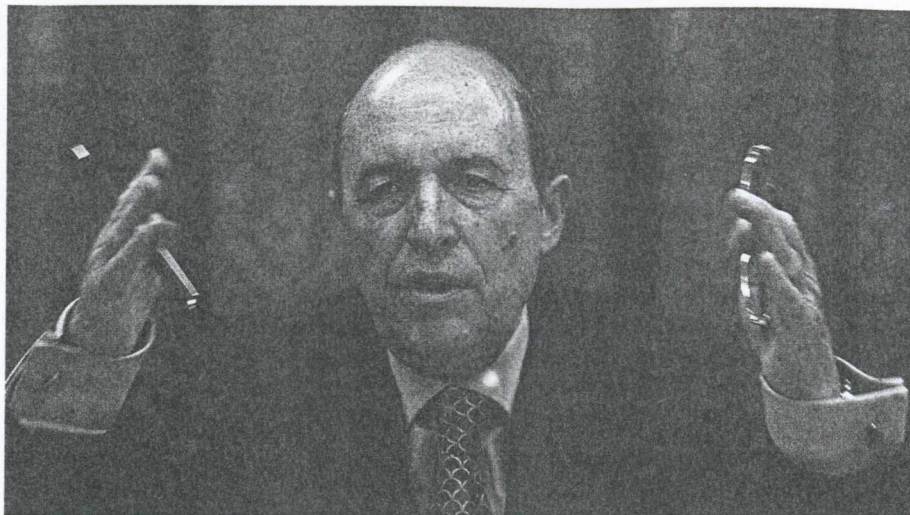
quality of life in Athens has improved with the completion of a new metro line and the opening of a shiny new airport whose capacity vastly exceeds that of Hellenikon, the old airport that strained pilots' nerves on windy days. Within a few years a new highway around greater Athens will make it easier to travel north from the airport towards Salonika, or west towards Patras, without getting entangled in the capital. Further afield, the Peloponnese will be linked to central Greece by a bridge, and a new road from the Adriatic to the Turkish border will speed up east-west travel.

Which of the many trends at work in Greece, at once the most conservative and the most adaptable of European nations, will prove the strongest? The breezy exuberance of the new yuppie class, which despite the recent setback inflicted by sagging stockmarkets looks forward to the good times in the euro zone? Or the still baleful influence of a self-serving bureaucracy, whose clumsy regulations often force Greek citizens to behave deviously and irrationally? Will nationalist passions once again bedevil Greek relations with its neighbours, or will Greece fulfil its potential as the economic engine of south-eastern Europe?

For a country that stagnated throughout the 1980s and spent the 1990s fretting about the effects of war on its northern borders, Greece is enjoying much greater economic success than seemed likely even five years ago. This is both a cause and a re- ➤

Acknowledgments and sources

The author would like to express warm gratitude to the many people who gave generously of their time and knowledge in the preparation of this survey. None of them bears any responsibility for its conclusions. Particular thanks are due to Loukas Tsoukalis and others at ELIAMEP, a foreign-policy think-tank; Costas Mitropoulos of Kantor Management Consultants; Theodore Lelekas and others at Critical Publics, a consultancy; Yannis Ploumis of Ploumis Sotiropoulos, a property company; James Ker-Lindsay at Civiltas Research, Nicosia; Rebecca Camhi of the Sophocleous Street Gallery; and Dimitris Batzelis of the Financial Crimes Unit (SDOE). For economic insights, the author drew on analysts' reports by EFG Eurobank and SchroderSalomon-Smith Barney; and on studies by the Foundation for Economic and Industrial Research (IOBE).



Simitis is doing his bit

► flection of its enhanced status in the European Union. Having shaken off its reputation as a laggard in the EU, it is now settling into a new role as a locomotive for the Balkans: the only country in south-eastern Europe that belongs to most of the world's smarter clubs, and an advocate for the region in the wider world.

All Greece's internal strains—between left and right, town and country, native and immigrant—have been eased by rapid economic growth, recently running at about 4% a year. In the words of Yannis Stournaras, chairman of the Commercial Bank of Greece and an architect of the country's euro-zone entry, "There is no comparison between Greece today and 15 years ago," when profit was a dirty word, interest rates were regulated, industrialists felt beleaguered and labour was militant.

This survey will argue that Greece has made impressive progress towards putting its economy on the right track and improving its international image. But these achievements are fragile, and they owe something to good luck, as well as to factors that no politician ever planned, such as an influx of migrant labour over the past decade which has pushed Greece's population up by about 7% to 10.9m. Now that relative calm has descended on the former war zones of the Balkans, and relations with Turkey have eased, it is important for the moderate socialist government of Costas Simitis to consolidate Greece's achievements.

The country's internal stability has been helped by the apparent break-up of November 17, a group of ultra-radical terrorists who could claim, until this summer,

to be Europe's most successful urban guerrillas. Over a period of 27 years, they had killed 23 people; among their targets were soldiers, intelligence officers and diplomats from America, Britain and Turkey, as well as prominent Greeks.

No more bazookas

But in early September, a militant leftist called Dimitris Koufodinas, often described as Greece's most wanted man, mysteriously appeared at an Athens police station and announced that November 17 was "finished". Over the previous ten weeks the authorities had hauled in 15 other suspects. A spate of revelations about pistols and bazookas stashed away in Athens apartments had turned the nightly television news into a keenly followed melodrama.

For Mr Simitis, whose socialist party, Pasok, is trailing its conservative rival, New Democracy, in the opinion polls and will almost certainly lose ground in the municipal elections due on October 13th, the arrests were a boost to his credibility at home and abroad. And for Greece's western partners, the smashing of the terrorist group was not only welcome in itself, but also a good sign of a changing political culture. After the 1967-74 dictatorship of pro-American military officers, sections of Greece's political left retained a sneaking sympathy for political violence; but now the great majority of the population see November 17 as a group of common criminals. "Democracy has crushed terrorism and instilled a sense of security into Greek society," Mr Simitis declared in his annual address on the state of the nation in Salonika last month.

When voters go to the polls this Sunday to elect mayors and local councillors, they will pass their verdict on the financial and political stability for which Mr Simitis, with some justice, has claimed credit, and balance this against the rise in prices, the shortage of decent jobs and the losses many people suffered after risking their savings on the stock exchange. They will consider the fact that Mr Simitis himself is regarded—even by his opponents—as a paragon of honesty; and they will balance this against the persistence of corruption in high and low places all over Greece.

Local elections aside, the next general election may be as far away as 2004. Whoever forms the next government will be leading a country better placed than ever before to cope with the challenges of an integrated Europe and a potentially turbulent region. ■



A great lurch forward

Squeezing into the euro has done wonders for the economy

ALL of a sudden, the naughtiest pupil in the class is getting top marks. It wasn't that long ago, in 1990, when Jacques Delors, the then president of the European Commission, scolded Greece for mismanaging its economy and questioned its future in Europe. But now that economy is growing by more than twice the EU average, at a forecast 3.8% in 2002.

This partly reflects a virtuous circle created by Greece qualifying to join the euro zone; interest rates have tumbled, and there is no longer any risk of devaluation or a sudden change in economic policy, which used to make business planning next to impossible. Cheaper credit has tempted more people to take out loans for houses or simply for buying things. Consumer spending this year is running at nearly 10% above last year's levels. Personal debt is still low by European standards, so no one is worrying—yet.

Less encouragingly, inflation is also well above the European average, at 3.5% in the year to end-August, though far below the double-digit figures of a decade ago. There is plenty of anecdotal evidence that the cost of small items has risen even faster since the beginning of this year because of rounding up of euro prices. In September, Greece's main consumer organisation proclaimed a shopping boycott to shame retailers who had used the euro to introduce sneaky price rises.

Unemployment has also remained stubbornly high, at 9.6% for the population as a whole and over 20% for those under

24. On the face of it, the combination of rapid immigration and a high jobless rate should lead to social tensions. But many newcomers to Greece do the kind of work at which locals turn up their noses, such as farm labouring or domestic service, so there is little competition for jobs between natives and migrants. A household in the provinces may have an unemployed 25-year-old son at home who is looking for a nice job in the public sector, and at the same time employ an Albanian or Bulgarian who does the hard physical labour on the family farm.

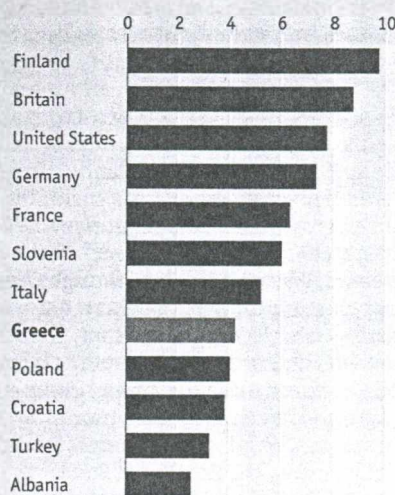
One reason for the high jobless rate may be the collapse of public-sector patronage as a means of gaining favour with voters. With the utilities under pressure to balance their books, and ministries subjected to more fiscal discipline, politicians have less chance to dole out jobs to their friends. The earlier experience of Spain suggests that after a time of high growth and high unemployment, as some sectors modernise and others decline, the jobless rate will eventually fall; but until that happens, job-seekers with the wrong qualifications may have a tough time.

Twin pillars

The trouble is that the main engines of Greece's rapid growth are temporary. One is the EU structural aid that continues to cascade into the country, enriching the politically influential construction industry. This source of cash will tail off significantly after 2006, when the current fund-

Keep trying

Perceived corruption*, 10=least corrupt



Source: Transparency International, 2002

*Selected countries

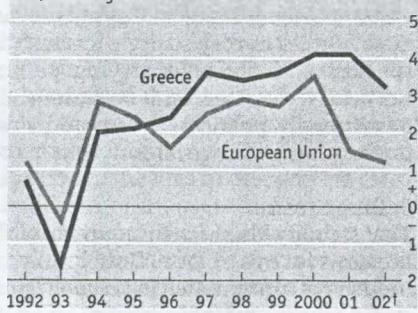
ing programme runs out and the Union will have new members to worry about. The other, related, one is the vast amount of private and public money that is being spent on preparing Greece for the Olympic Games in just under two years' time.

Under the so-called Third Community Support Framework, a piece of Euro-jargon that trips easily off the tongue of many a Greek taverna-owner or village mayor these days, no less than €27 billion, from a mixture of EU, Greek government and private sources, will be spent between now and 2006 on projects ranging from air-traffic control to motorways.

Although the management of these European funds has become more efficient since Greece's early days as a member of the European Community, there have been a number of embarrassing spats between the government in Athens and the European Commission. In one incident, funding that was supposed to assist the creation of a land registry had to be paid back because it was not properly used. The registry—a difficult project in a country where every stony field is the subject of a family argument or a tussle with the state—is at last being established, albeit more slowly than the bureaucrats in Brus-

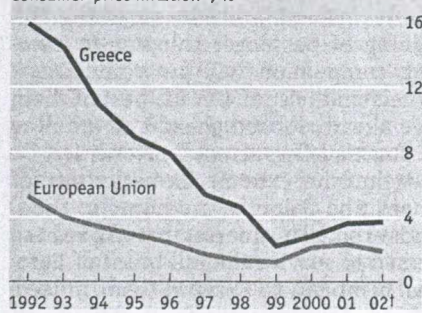
Not bad

GDP, % change



Sources: Eurostat; OECD; Economist Intelligence Unit

Consumer-price inflation*, %



*Harmonised †Forecast

The war of the olive branches

There is nothing absolute about the rule of law

WHAT happens when the authority of the law clashes head-on with an organ of executive power? In most democracies, the answer is easy: the law prevails. But in Greece, it seems, things are not so simple.

The olive groves of Corfu are among the few places in Europe where crops are regularly sprayed with pesticides from the air. The people on the island—a lovely, verdant place where all trees, including olives, grow much taller than elsewhere in Greece—are deeply divided over the practice. What seems clear, though, is that crop-dusting as carried out in recent years—using helicopters to spray the groves with a substance known as lebaycid—has been outlawed on environmental grounds by a European Union directive, which has been endorsed and reaffirmed by the Council of State, Greece's highest constitutional authority. The agriculture ministry in Athens

and the Corfiot prefecture or regional government, which is directly elected, have been tussling over who should take responsibility for protecting the crop and who should pay for it. The prefecture acknowledges the need to find an alternative to lebaycid but wants more help from the ministry in Athens. According to the Ombudsman's office—a new Greek institution that is supposed to protect citizens' rights and uphold the rule of law—both parties to this squabble have at least one thing in common; neither seems at all concerned about what the law says.

The ministry, charges the Ombudsman, has violated the law by allowing crop-dusting to go ahead in 2002. And the prefecture in Corfu will be doubly in breach of the law if it allows crop-dusting to proceed in open violation of the conditions laid down by the government in Athens, which include carrying out a new ecological study and defining precisely

the area to be sprayed. The Corfu administration says meeting those conditions would not be practical, but seems determined to go ahead with spraying.

So what happens now? The prefect of Corfu has insisted that his first responsibility is to his voters, and that he has a clear mandate from them to handle the question as he sees fit. But surely there is some procedure whereby the decisions of the Council of State are put into effect, even if headstrong local governors disagree? Apparently not. The Greek constitution lays down that the decisions of the Council of State must be implemented, and violators will be held to account. It also calls on parliament to pass a law laying down how this should be done. Such legislation has only just been drafted. Until it is passed, the decisions of Greece's most distinguished judges and constitutional experts will be drowned out by whirring helicopters.

► sels would like.

Until recently, Greek governments had a poor record for carrying out public works, which were often discussed for decades on end until the money mysteriously vanished. But in part because the Olympic Games are concentrating minds, it seems likely that the current building programme will have concrete results.

The old behemoths of the Greek public sector, long bedevilled by overmanning, political interference and poor administration, are getting a bit leaner and meaner, often through an injection of private capital. The state telecoms operator, OTE, used to be plagued by strikes and provided notoriously poor services. But at least until recently, OTE and its mobile-telephony offshoot, CosmOTE, have been among the best-performing telecom stocks on European bourses. The group has expanded its empire across the ex-communist states of the region, although with mixed financial results, and created opportunities for Intracom, the Greek electronics and digital-equipment group which is OTE's main supplier. Only a third of OTE remains in state hands, and some of its bolshiest union leaders have turned into sleek cor-

porate executives.

But labour relations in Greece are still far from perfect. Last summer, strains in the socialist cabinet began to show as the interior ministry offered the civil servants' union a wage deal that was promptly overruled by the economy ministry. A strike by seamen, which could have disrupted the tourist season, was averted by a civil mobilisation order. Trade unionists were furious, but did not stage any big protests.

The best parts of Greek industry are of world class; the trouble is that they account for only a smallish sliver of national income. There are now Greek companies that control cement factories in Florida, bakeries in Russia and mines in China. The opening of passenger shipping to European competition will put some Greek owners on the spot, but the best of them have already looked ahead and are now ferrying travellers across the North Sea.

At the other extreme, the back streets of Athens and Salonika are home to thousands of small businesses that will be hard pressed to survive the full brunt of European competition. Some of them, indeed, live on the corruption and chaos of Greece's bureaucracy, and their disappear-

ance would be a positive gain. The financial police say there are hundreds of businesses whose sole activity is to practise or abet some form of tax fraud. Some do nothing but issue and sell false invoices for imaginary services, which companies can use to keep down their paper profits; others make fraudulent demands for the reimbursement of value added tax.

Despite the continuing problems of bureaucracy and a dysfunctional legal system, "This is, comparatively speaking, a great time for Greece," says Dimitri Papalexopoulos, managing director of the Titan cement company. Firms like Titan, whose manufacturing empire stretches from the eastern United States to Egypt, still face huge hurdles as they struggle to satisfy inspectors and obtain quarrying permits, but at least they can count on a more business-friendly political climate and stable interest and exchange rates.

Selling dreams

That stability also benefits tourism, which accounts for 15% of GDP. Unhelpfully, the industry is concentrated in certain regions, such as the islands of Rhodes, Corfu, Mykonos and Crete and the northern Halkidiki ►►

► region. The economy in large parts of the Peloponnese, Epirus and Western Macedonia is still stagnating, even though these regions have huge potential to attract visitors who prefer scenery and wildlife to pools and discotheques.

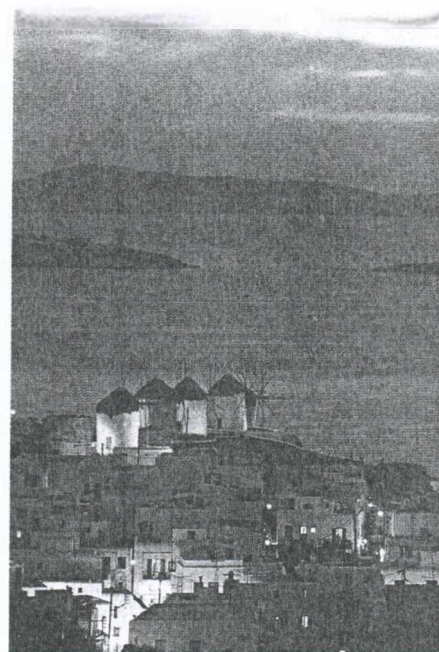
Greek hoteliers can point to a long-term rise in the number and spending power of foreign visitors which might continue for a few more years. However, the management of the country's priceless tourist assets has been haphazard. There is a small number of luxury hotels, of which only a few have real character; at the other end of the scale, every connoisseur of Greece knows remote hideaways where visitors can live simply and blissfully. In-between there are thousands of dullish establishments whose owners seem to care more about catering to the mass market than about aesthetics or cuisine. Now that the euro has made comparisons easier, north Europeans will become more picky as they assess the value for money offered by Greece's traditional resorts. But if Greek hoteliers can diversify away from the standard beach offering into eco-tourism, bird-watching, hill-walking and so on, there is

plenty of room for expansion.

Tourism is one of many sectors of the Greek economy where foreign investment has always been low, partly because of economic instability and partly because of bureaucratic obstacles. "By entering the euro, we have dealt decisively with the first factor and now we are working to get rid of the second," says Nikos Christodoulakis, the economy minister, a British-trained academic and a pragmatic number-cruncher.

Among the problems Greece has yet to tackle are an urgent need to update company law; an excessively burdensome and complex tax code; and an arcane and badly functioning pension system, combined with a rapidly ageing population, which could bankrupt the state in the decades to come unless something is done.

In September Mr Simitis announced tax breaks for individuals and families worth €1.4 billion, and simpler company taxes and book-keeping obligations. A move in the right direction, said Ulysses Kyriacopoulos, head of the industrialists' association; the opposition, predictably, called for bolder measures, including a cut



When it's good, it's very, very good

in the corporate tax rate.

As for the pension problem, the government earlier this year made some tentative moves to reorganise the system, but had to retreat from radical reform under heavy pressure from unions and other lobbies. It will take huge political courage—or the threat of more wrath from Brussels—for a Greek government to grasp this nettle. ■

Roll out the welcome mat

NEXT time you visit Athens and try out a carefully practised Greek phrase on your chambermaid, do not be surprised if you receive a blank look. The person serving you may well be a native Russian or Albanian or even Urdu speaker, and know even less Greek than you do.

For a country that until recently was making a conscious effort to remain as homogeneous as possible—providing a home for Greek Orthodox, Greek-speaking people, and tolerating minorities only grudgingly, if at all—this is an extraordinary turn of events. About 800,000 immigrants are at work in Greece, making up nearly a fifth of the labour force. Together with their dependants, they add up to an immigrant community of 1.2m or so. Even ten years ago the idea of opening the gates to hundreds of thousands of newcomers would have appalled many Greeks, but the influx happened of its own accord, and the result has been surprisingly benign.

Greece has absorbed huge waves of immigrants before, but they were all Greek

Orthodox Christians, and indeed selected on that ground. In 1923, when Greece and Turkey settled nearly two decades of fighting with a massive population exchange, the only criterion used was religion. Over a million Christians (some of them monoglot Turkish speakers) were deported from Anatolia, and hundreds of thousands of Muslims (some of them Greek-only speakers) were dispatched from Greece to Turkey. By turning Greece into a country that was 97% Orthodox Christian, at least in name, the population swap made church and nation seem even more inseparable. To be Greek was to be Orthodox, most people thought, and the church hierarchy did nothing to discourage the idea.

The arrival of hundreds of thousands of new residents in Greece, from many different cultural and religious backgrounds, has therefore posed a considerable challenge for the guardians of Greekness. Among the few policy questions that have raised strong passions among the Greek public recently have been those to do with

Greece's foreign workers arrived uninvited, but now the country could not manage without them

religion, nationality and identity. In 2000, hundreds of thousands of people took part in demonstrations organised by the church against a proposal to remove all reference to religion on identity cards—though in the end the church drew back and the proposal went through.

Now another public row is looming. A government committee has suggested that it should be made easier for families to opt out of the (Orthodox Christian) religious education that has hitherto been compulsory in state schools. The church has insisted that parents who want such an opt-out should have to register formally as atheists or adherents of some other faith. This time the government, mindful of the fracas over identity cards, is proceeding cautiously, and seems to be shelving the recommendations of its own committee.

Attached as most Greek people still are to their Hellenic and Orthodox identity, they have so far been relatively tolerant of the foreigners in their midst. Polls suggest that most of them recognise the economic ►►

► benefits to the country of migrant labour. Three or four years ago, a spate of burglaries and other violent crimes—in a country that has hitherto been relatively safe—were widely blamed on Albanians, but more recently public concern has ebbed. Another reason for the absence of racial tension may be the low profile kept by immigrants. They have not asked for the right to establish schools teaching in their own language, or many places of worship or cultural institutions. The furious debate sparked by proposals to build a mosque in Athens for the Olympic Games demonstrates how sensitive such issues are. In this Sunday's election, very few immigrants will have a vote.

Porous borders

In the early 1990s, after communism collapsed and Yugoslavia descended into war, Greece virtually lost control of its borders. Albanians, Bulgarians and other East Europeans came flooding into the country in search of work, and found it easily because they were not fussy about the jobs they took. By 1996, there were about 600,000 foreigners living in the country, most of them Albanians, but also increasing numbers of Pakistani traders, Polish builders and decorators, Filipino household servants and nurses, and unskilled workers from Africa.

As long as they concentrated on menial work, they posed little threat to Greek workers. Indeed, the influx of cheap labour had the perverse effect of keeping alive rural communities in Greece where smallholders might otherwise have abandoned the struggle and moved into town. But as soon as foreigners began to take jobs



Non-Greeks also bear gifts

in construction—thus competing with Greek workers, who commanded vastly higher wages—union leaders began to campaign for foreign workers to be registered and for their employers to be obliged to pay social-security contributions.

In an initial wave of legalisation, starting in 1998, 370,000 non-legal workers applied for work permits, 60% of whom were successful. Last year a new law was passed that tries to micromanage local demand for labour. Fortunately it may be too unwieldy to work in practice. Meanwhile the 365,000 people who applied this time have been given temporary work permits.

For all its good points, migration to Greece has one dark side to it: the illegal trafficking in thousands of women and children brought into the country to work in the sex trade. Human-rights agencies have repeatedly criticised the Greek authorities for not doing enough to protect the victims. A new law has been drafted, but critics say it still puts too much onus on victims to prove they have been coerced.

The economic benefits to Greece from illegal migrant labour were probably at

their greatest in 1996, when they added about 1% to GDP, according to a study by Professor Louka Katseli of Athens University. Over the next few years, the social and economic consequences for Greece of being multicultural are likely to grow more complex as the immigrant workers settle and raise families. The share of children from immigrant homes in Greek schools is rising; greater demands are being made on the state health system; and the immigrants themselves will one day become more forceful in their calls for some say in the affairs of their adopted country.

Tasos Giannitsis, the deputy foreign minister, says migration will be a main theme of Greece's forthcoming presidency of the EU. The ministry is working with the Migration Policy Institute, a Washington think-tank, to come up with ideas that a number of European countries might find useful. There is a political agenda here. If a moderate socialist government in a country that has rapidly moved from homogeneity to diversity can tackle migration successfully, that will deal a powerful blow to the extreme right everywhere. ■

Good neighbours

UNTIL quite recently, the hills and forests of the Greek-Bulgarian border used to be one of the wilder places in Europe: a heavily-guarded cold-war flash-point, a giant killing field in the second world war and, further back, a battleground in a series of bloody contests to supplant the waning power of the Ottoman empire.

These days, the only battles at the Promachonas border crossing—the very name of which evokes armed clashes—are com-

mercial and bureaucratic ones. It has become one of the busiest entry points to the prosperity of the European Union. On a bad day, the queue of vehicles on the Greek side, mostly Bulgarian truckers waiting to go home after stocking up in Salonika, can be 7km (four miles) long.

Promachonas is steadily becoming much more than a border post. A consortium of Greek firms and local government agencies, known as Procom, is turning the place into a vast commercial emporium

These days, Greece's interest in the Balkans is reassuringly commercial

where individuals and, above all, shops and other small businesses from all over the southern Balkans can stock up on consumer durables, household goods or designer clothes without going more than few hundred yards into Greek territory.

With customs officers on hand 24 hours a day, the time needed to buy goods in Greece, or take delivery of containers arriving by train from the port of Salonika, should be slashed. As Alexandros Martinis of Procom points out, the southern Balkan ►►

► countries now import around \$3 billion-worth of consumer durables a year. Their GDP is growing at over 4% a year, albeit from an abysmally low base, and their taste for consumer goods is increasing even faster. If a small fraction of that business comes through Promachonas, it will be a boon for what used to be one of Greece's poorer regions.

If Greek firms have an instinctive feel for business trends in countries to their north, that is because their own country has undergone an almost equally rapid transition in recent memory. To some extent, they can anticipate the Balkan countries' needs by recalling their own habits in those leaner times.

Chipita, a food manufacturer, is one of the Greek companies that have adapted their fare to suit the tastes—or the pockets—of poorer Balkan countries. Its mini-croissant, at €0.60, is a favourite with Greek snackers, but it is too expensive for many peckish Bulgarians, so both the recipe and the size have been adjusted to make the product more affordable.

Similarly, in the poorer bits of post-communist Europe every householder is, perforce, a keen builder-decorator; so when NBG Venture Capital, an investment fund, took a stake in Monsieur Bricolage, a DIY shop in Sofia, it was delighted with the results. NBG's parent, the National Bank of Greece, owns several big banks in Bulgaria and Macedonia and has branches all over Serbia.

Alpha Bank, which blazed a trail for Greek capital by starting a subsidiary in Romania nearly a decade ago, reckons that Greece's investment in the Balkans is already worth \$6 billion. With an increasingly dense network of holdings in sectors ranging from telecoms and energy to finance and cement, Greece's business world is signalling its long-term commitment to the prosperity and stability of all its neighbouring states.

Barely a decade ago, crowds of up to a million were demonstrating on the streets of Athens and Salonika in protest against the "appropriation"—as they saw it—of the name "Macedonia" by a new independent state on their northern border. The dispute over the right to use the name remains unresolved, but Greek relations with its northern neighbour have been transformed as commerce has taken precedence over arcane historical arguments. Last July, ministers from both countries attended a grand ceremony to mark the opening of a pipeline from Salonika to Skopje, capital of the country which

Greece still insists on calling the "Former Yugoslav Republic of Macedonia". The pipeline is transporting crude oil from Greece to a refinery at Skopje, which was bought in 1999 by Hellenic Petroleum, the Greek state oil company. The refined oil will be sent north to Kosovo in a second pipeline now being built.

If relations between the governments in Athens and Skopje have sharply improved, it is partly because both countries, as well as many EU members, are worried about armed Albanian militancy, which is sometimes closely linked with organised crime. But these days, Greek diplomacy in the Balkans is not simply a matter of siding with traditional friends, as it was in the early 1990s, with sometimes explosive consequences for Greece's relations with the western world. More recently Greece has tried to maintain cordial relations and discreet lines of communication with just about everybody in the Balkans, including Bosnian Muslim or ethnic-Albanian politicians who would not previously have been welcome in Athens.

Make money, not war

Instead of seeing the Balkans as a series of zero-sum contests in which only one or the other side could win, Greece's foreign ministry has been leading efforts in the region to promote cross-border co-operation and create so much mutual dependence that a return to war would be inconceivable.

How important are the Balkans for Greece? Challenge a Greek economist to say where the country will turn when

transfers from the European Union and Olympic investments dry up, and the glib answer is that the Balkans will fill the gap. By 2006 or so, the southern Balkan states will be well on the way to joining Europe's mainstream, and will be eligible for a steady stream of aid. Greek builders, banks and retailers will help them spend their money.

Such hopes may be fanciful. Across much of the Balkans, industries and mines are rotting, devastated by sanctions, war damage or neglect; many of them will never be reconstructed. This deep slump has depressed the volume of industrial exports though the port of Salonika, and it will be a while before large numbers of Balkan citizens can afford to use the passenger ships that sail out of the harbour.

Still, the very fact that Greek aspirations in the Balkans these days are more commercial than strategic is a change for the better. "We have discovered the virtues of soft power," says Theodore Couloumbis, a professor of international relations at Athens University. Not before time, you might say: when communist Yugoslavia began its slide towards disintegration and war in 1990, the reaction in Greece, as elsewhere, was one of fear and atavistic passion.

Just as Croatia cultivated its old links with the German-speaking world, Greece instinctively sided with Serbia, its ally in half a dozen wars over the past two centuries. Whereas the western world recoiled in horror over ethnic cleansing by Serb nationalists, yet was prepared to make excuses for similar crimes committed by Croats or Bosnian Muslims, Greek public opinion reacted in the opposite way. Serb misdeeds were played down in the Greek media and those of other parties to the war played up. Volunteers from Greece who served with the Bosnian-Serb forces received sympathetic coverage in their homeland's press.

In 1999, when NATO waged its air war against Serbia, Greek public opinion—from conservative Orthodox bishops to Marxist intellectuals—reacted with almost unanimous rage. The government showed skill in giving the alliance the bare minimum of logistical support, as required by its NATO membership, while avoiding any direct involvement in the air war.

Three years on, the passions that war aroused in Greece have subsided. The hope is that the frequency of cross-border business deals, oil flows, shopping trips—all the workaday things that bind nations and people together—will help to keep conflict at bay. ■



In Greece's back yard

Blowing hot and cold

Can Greece and Turkey become true friends?

WHEN Kemal Dervis, a World Bank technocrat turned Turkish finance minister, hopped over to a Greek island for an international brain-storming session last July, he was greeted with back-slapping and bonhomie. George Papandreou, the Greek foreign minister, had invited politicians and academics from all over Europe and North America, who gathered round in their shorts and T-shirts to hear Mr Dervis and others hold forth on world trade, the future of social democracy and the economic effect of AIDS.

Anyone watching the light-hearted banter between Mr Dervis and his Greek hosts on the island of Samos, barely a mile from Turkey, might have concluded that the historic antagonism between the two nations had at last come to an end. Now that Greece is no longer blocking Turkey's application for EU membership—a long-standing source of bitterness—surely the Aegean neighbours should be able to co-exist contentedly?

Such a conclusion, however, would be premature. Almost the only observation that can safely be made about the relationship between Greece and Turkey is that it is among the most emotionally charged in the world. Millions of families in each country adorn their walls with sepia photographs of relatives who died in Greek-Turkish wars. At the same time, both peoples have vivid memories of living side by side—albeit rarely intermarrying, and divided by the all-important factor of religion—as subjects of the Ottoman empire.

The two countries, intertwined more closely by heritage and history than either cares to acknowledge, can never be indifferent to one another. When relations improve—as they did in the 1930s and the early 1950s—the reconciliation can be ebullient. But the temperature can change as abruptly as the weather in the Aegean, and the real warming that has taken place in the Greek-Turkish climate over the past three years is by no means irreversible.

Nor can it be, until there is some resolution of the dispute over Cyprus, where heavily armed Turks and Greeks face each across a partition line established in 1974. Following a short-lived coup d'état by ultra-nationalist Greek-Cypriots, with back-

ing from the military officers then ruling in Athens, Turkish troops occupied the island's northern third and forced a massive population exchange.

Cyprus is by far the biggest Greek-Turkish issue, but there is also a host of disagreements over seabed exploration rights, territorial waters and air-space rights in the Aegean. Even in the waters and skies close to Mr Papandreou's cheerful summer symposium, there were Greek and Turkish ships and aircraft keeping a careful eye on each other's movements.

Armed to the teeth

A residual fear of Turkey is the main reason why Greece maintains one of the highest levels of defence spending per person in NATO (see chart 3). Earlier this year, the Greek defence ministry awarded a keenly contested arms contracts—an order for 170 tanks—to Krauss-Maffei Wegmann, a German contractor. Even though western governments often urge Greece and Turkey to bury the hatchet, the two countries' mutual antagonism has been a boon for weapons manufacturers.

Is it really conceivable that two NATO allies would ever fight each other? As weary NATO diplomats vividly remember, Greece and Turkey came to the brink of war in 1996 over a tiny islet in the south-eastern Aegean; less well known (because Europe had other things on its mind at the time, including Kosovo) is that the two sides came very close to a clash in early 1999, when Abdullah Ocalan, leader of the Kurdish uprising in south-eastern Turkey, was nabbed in Kenya and turned out to

have been given safe passage by Greece.

In the end, what changed the atmosphere between the two countries was something no Balkan-watcher could have predicted: severe earthquakes in both countries in which the two nations offered one another humanitarian aid and the two societies remembered, in an outpouring of emotion, how much they had in common. Since then, although none of the more serious differences has been resolved or even eased, there have been signs of a rapprochement between the two peoples. Small-scale trade has flourished, musicians have played together and it has become fashionable, in both Greece and Turkey, to have friends or business partners on the other side.

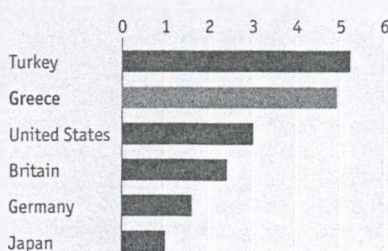
But investment between the two countries is still very limited, mainly because of the political uncertainty. For example, NBG Venture Capital, a unit of the National Bank of Greece, recently became the leading shareholder in a Turkish private equity fund; and Cardico, an Athens-based food company, bought a hazelnut factory on Turkey's Black Sea coast. But such deals remain pretty rare.

And even in the couple of months since Mr Papandreou's seaside get-together, the outlook for Greek-Turkish ties has become much less certain. A political crisis in Turkey triggered by the illness of the prime minister, Bulent Ecevit, has thrown the country into turmoil. The two people in Ankara most trusted in Greece, Mr Dervis and Ismail Cem, until recently the foreign minister, are now out of office, pending elections in early November.

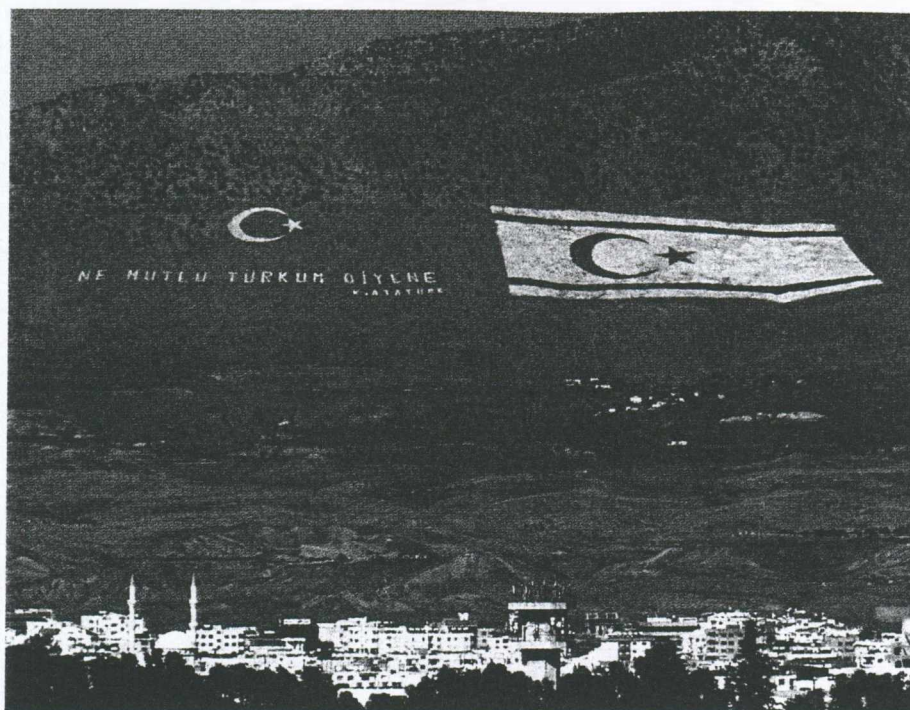
Another reason for jangling nerves is the approach of EU membership for Cyprus. This is a critical moment—perhaps the most critical since the drama of 1974—for the island's political future. Nothing fundamental has changed in the past 28 years: Turkey has maintained the military advantage, in the form of a 30,000-strong garrison on the island, whereas the Greek-Cypriot side has retained the diplomatic and moral high ground, including a monopoly of international recognition and a raft of UN resolutions calling on the Turks to withdraw their troops and make way for the island's reunification.

Heavy armour

Defence spending as % of GDP, 2000



Source: International Institute for Strategic Studies



Looking north from Nicosia, a sight to make Greek eyes sore

Now, as the EU prepares to approve the accession of Cyprus and nine other countries, this unsatisfactory but more or less stable state of affairs is bound to change. Under a formula that was supposed to boost the chances of a settlement, the Union has promised to admit Cyprus, with or without a successful conclusion to this year's slow-moving talks between Greek-Cypriot and Turkish-Cypriot leaders. In theory, the prospect of a political settlement, to be swiftly followed by admission to the Union, should appeal to the Turkish-Cypriot community. Instead of languishing under a partial economic embargo imposed by the Greeks in protest against the 1974 invasion, the Turkish Cypriots would see their living standards soar, with help from Brussels.

But Rauf Denktaş, the community's

veteran leader and president of the unrecognised Turkish-Cypriot state, does not see things that way. Along with several leading politicians in Ankara, he has given warning that if the Greek-Cypriots were to enter the EU alone, his side would retaliate; northern Cyprus would move much closer to Turkey, giving the government in Ankara responsibility for its defence and foreign affairs. That could scupper indefinitely any chance of reconciliation on the island, raise the level of military tension and plunge relations between Turkey and the EU into the deep freeze.

The Greek side is confidently predicting that Turkey will not, in the end, go to the brink over Cyprus because that would prejudice its own prospects of EU membership. But over the past two centuries, Greeks have often misread Turkish inten-

tions. Turkey, for its part, will press for a firm date for talks on its own accession as its price for giving ground on another issue: the European Union's proposed Rapid Reaction Force, which nationalist Turks, British Tories and American hawks alike suspect of being a ploy to undermine NATO and weaken transatlantic links.

On what terms, if any, will the government in Ankara bless the Euro-army's creation and agree that some assets from NATO, of which Turkey is a leading member, should be put at the new force's disposal? A deal brokered between Britain and Turkey, under which the EU would take account of Turkish interests in planning military operations, was rejected by Greece, which then won the approval of its European partners for a slightly different formula to govern EU-NATO relations; but Turkey says the earlier agreement must stand. Unless this knot is untied, the European Union's hopes of playing a bigger role in its own defence will be dashed.

Greece's role in defence matters in the Union is pivotal at the moment because of a quirk of EU procedure. The country is due to assume the Union's rotating presidency in January, but because Denmark, the current president, has opted out of the EU's military activities, Greece has already been presiding over the Union's defence deliberations since July, so it will have a whole year in the chair.

One thing that could upset all calculations is an American attack on Iraq, in which Turkey would play a vital strategic role, strengthening its diplomatic hand. But whatever happens, the goodwill that Mr Papandreou built up on that beach in Samos will be badly needed. ■

Enduring virtues

FOR most of the past two centuries, one of the functions of Greek politics was to provide a network for favour-swapping and patronage. The Greek power-broker of the 19th century might cut a sophisticated figure in Paris or Berlin, but his effectiveness back home depended on the more basic skill of looking after a vast number of "clients"—shading into the world of banditry—who expected personal favours.

Even in recent times, the form of patronage known as *rousferi* was alive and

well. Humble folk would queue up outside a minister's office with all manner of requests. Could the minister find a job for a doltish cousin? Could nephew Yannis, about to begin his military service and suffering from asthma, be found a safe post at the defence ministry in Athens? Could chiropodist cousin Anna, who needed time to look after her aunt, be found a post in a government clinic near the bus station? A politician would have hundreds of god-children, send them cards on feast days

Greece's political dynasties go on and on

and, if possible, attend their weddings and funerals. As long as he honoured his obligations, the "patron"—and any of his kin who entered politics—could expect the unswerving loyalty of the client and his kin.

Any modern politician will insist that it is all different now. People rely less on the state because there are more opportunities in the private sector. And in principle, everybody agrees that the civil service is overmanned; no incoming minister would dare to stuff his or her department ►►

► with large numbers of protégés. Perhaps. But there is one aspect of Greek politics that is remarkably enduring: the loyalty that voters feel for familiar old surnames—even if the policies, and political styles, are entirely new.

The names that are likely to dominate Athenian politics for the next decade would be totally familiar to any Rip Van Winkle who had gone to sleep in the early 1960s. At that time, Athens was still reeling from the departure, to self-exile in Paris, of Constantine Karamanlis, the prime minister of the day. His successor, George Papandreou, lost power after a dissident group of centrists, led by a tall Cretan named Constantine Mitsotakis, switched sides—to the fury of the prime minister's firebrand son, Andreas Papandreou, who vowed revenge.

Time warp

Switch to 2002. Greece's current conservative leader (and prime minister-in-waiting, if the polls are correct) is called Constantine Karamanlis, a nephew of the elder statesman who eventually returned from Paris and restored democracy in 1974, after seven years' military rule. If the conservative New Democracy party gains power in the next election, the heir apparent of the socialists—and almost certainly a future prime minister—will be George Papandreou, eldest son of Andreas and named (like most first-born sons in Greece) after his paternal grandfather. The second-ranking figure in the conservative camp, and top of the popularity polls, is Dora Bakoyianni, the daughter of Mr Mitsotakis. She is tipped to become mayor of Athens in the local elections this weekend.

These latest scions of Greece's best-known dynasties would all claim to have preserved the best of their forebears' political heritage yet to have adapted skilfully to the modern world. True or false?

Karamanlis senior, a schoolmaster's son from northern Greece who became a towering figure of modern Greek history, was an austere personality who was impatient with his compatriots' failings. His nephew cuts a more easy-going, affable figure, with a love of football and a taste for worry-beads that will put ordinary voters at their ease. Asked whether New Democracy has changed since his uncle founded it nearly 30 years ago, he retorts that it was less in need of change than Pasok, the Panhellenic Socialist Movement established by Andreas Papandreou. Whereas Pasok in its early days spoke the language of third-world radicalism, New Democracy



One Karamanlis, Mitsotakis and Papandreou after another

was pro-business and pro-western from the start.

But the ideological climate in most western democracies has shifted a long way towards the free market in the past three decades. Has Mr Karamanlis junior not felt some pressure from his British and American friends to abandon his party's image as a standard-bearer of Christian Democratic paternalism and take a more liberal line instead? As an ally of Germany's Christian Democrats in the European Parliament, Mr Karamanlis answers carefully. Yes, privatisation should go faster and further, and it should be more transparent; there should be bolder moves to deregulate energy and telecoms. But he believes the state has an important role to play—"not as a producer or merchant", but as a guarantor of justice, a provider of health, education and a social safety net.

If his party came to power, would he be immune to the temptation of *rousfeti*? It is true, he acknowledges, that in years past "traditional politicians" of all stripes had practised *rousfeti*—but merely in a "amateurish, Mediterranean way". Only under Pasok, which had held power for 17 of the past 21 years, had a new form of clientelism emerged, with hundreds of thousands of new appointments to state jobs. But in euro land, the scope for such tactics was now exhausted.

At the same time, he says cautiously, an incoming New Democracy government

would have to cope with social grievances and serious regional inequalities. So a policy based on the free market, combined with a leaner but more effective state, would have to be "carefully explained".

New generation

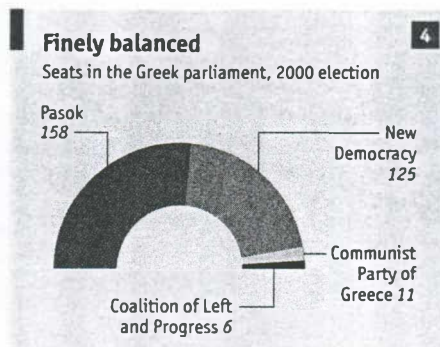
What the two Karamanlises had in common, despite their different characters, was their carefulness. Perhaps a more dramatic generational change has taken place in the Papandreou family, where George has inherited his father's mannerisms, thick eyebrows and bald pate but has an entirely different political style. Having spent much of his youth in Sweden, Canada and the United States, and taken a sociology degree at the London School of Economics, George Papandreou is a product of the Anglo-Saxon or north European centre-left, with its belief in forging consensus where possible and adapting pragmatically to change. He became foreign minister in early 1999 at a time when Greece's relationship with the western world was on a knife-edge—because of a furious popular reaction to NATO's bombing of Serbia—and tension with Turkey was close to snapping.

Where his father was by temperament confrontational, the younger Papandreou is more inclined to build bridges and stress the positive. Andreas Papandreou had an instinctive sense for the Greek people's collective gripes, and for the wrongs felt by ►►

particular social groups. He wooed adoring crowds by telling them that their country's woes were mainly the fault of others. This proved a vote-winning formula, but it did not gain Greece many friends abroad.

George Papandreou, by contrast, is highly sensitive to the political realities of the outside world and has displayed a degree of artfulness in conveying those realities to the Greek electorate. He has invested huge political capital in forging reconciliation with Turkey, so far without anything very concrete to show for it other than a vast improvement in Greece's international image.

Amid grumblings from some of the old guard in Greece's diplomatic service, Mr Papandreou has surrounded himself with a coterie of loyal advisers, most of whom have lived abroad and share his talent for languages and networking. Few Greek foreign ministers of recent times have been as respected by their opposite numbers in NATO and European Union countries. Ironically, though, the foreign minister owes some of his freedom to "take risks for peace" to the Papandreou family mantle—and the family's network of loyal supporters. Where necessary, he can be a tough back-stage fighter in the ruthless world of



socialist party politics.

Whether because of his name or his own virtues, George Papandreou would easily win a personal popularity contest with the younger Karamanlis. However, he would find it much more difficult to outshine Mrs Bakoyianni of Mitsotakis fame. Nearly as tall as her father and equally imposing, she has inherited her family's huge network of personal connections on the island of Crete. Having recovered bravely from the killing by terrorists of her husband Pavlos, Mrs Bakoyianni is a formidable personality in her own right. In her campaign to be mayor, she has held a series of public meetings all over Athens and

won a sympathetic hearing, at least, from many people who might never vote for a male Mitsotakis.

Her campaign promises include the provision of underground car parks to remove cars from the street and ease congestion; traffic lanes for ecologically benign forms of transport; more police; a municipal ombudsman to blow the whistle on city-hall corruption; and more help to immigrants, especially immigrant women, to learn Greek and become integrated into society. These ideas are not necessarily new, but she expounds them with great passion and panache.

How much longer will Greece's old families continue to enjoy this sort of name recognition, which newcomers have no hope of emulating? Powerful as the political dynasties are, there are signs that a new aristocracy of sports personalities and actors is gaining a growing hold on the public imagination. All political parties, both right and left, have recently taken to including basketball players and soap-opera stars on their lists of candidates in the hope of reviving voters' interest in politics. These days television's *Dynasty*, or its Greek equivalent, may prove a stronger pull than the political sort. ■

The road to Marathon

WILL it be all right on the night? If the organisers' dreams turn into reality, the Athens Olympic Games will mark a regeneration of the modern Olympic movement and, in a different way, of modern Greece itself.

"We want to restore the moral and ideological character of the games," thunders Evangelos Venizelos, who as arts and sports minister is co-ordinating the \$6 billion effort to prepare the country for its 17 days in the international limelight in August 2004. He speaks expansively of a contest that he hopes will be less overtly commercial than previous Olympics, restoring the principle of noble, amateur competition and promoting equality between different races, cultures and religions. "The games are coming home," declared Gianna Angelopoulos, the forceful leader of the Athens Olympics organising committee. She spearheaded the city's campaign to play host to the world in 2004,

and thus ease the bitter disappointment of losing to Atlanta in 1996. It is a measure of her popularity in Athens that this spring, during the pre-Lent carnival, many of the revellers were wearing "Gianna" masks.

The forthcoming contest will be a homecoming in two senses. The original Olympics were born in Greece and took place at a breathtakingly beautiful site in the Peloponnese every four years between 776 BC and 393 AD. But Athens is also the place where the modern Olympic movement began, with the 1896 games in which the sporting ideals of a Frenchman, Baron Pierre de Coubertin, came together with the deep pockets of a Greek tycoon, Georgios Averoff. This time, the plan is not simply to give the world an archaeology lesson but also to show off the talents of modern Greece. Dimitris Papaioannou, a choreographer, is expected to put on a superb opening and closing ceremony.

But between now and then, there will

After a few false starts, the Olympics now seem to be on course—but only just

be much biting of nails and tearing of hair. When Athens won the games in 1997, the government claimed that 70% of the necessary sports facilities existed already, and there would be plenty of time to build the rest. In April 2000, the then president of the International Olympic Committee, Juan Antonio Samaranch, described three levels of preparedness for the games: green, meaning all was well; yellow, indicating serious problems; and red, where the games were "in danger". Greece, at that time, was "at the end of the yellow phase."

Since then, relations between the IOC in Lausanne and the Greek government have vastly improved. Looking back, the warning from Mr Samaranch may have acted as a necessary wake-up call. It convinced the socialist government to stop squabbling with Mrs Angelopoulos, a former conservative member of Parliament who is married to a shipowner. There have been some moments of irritation between ►►



The battle continues

► the IOC and the Greek government; but with just under two years to go, the IOC now reckons that the necessary public works—new or upgraded sports arenas and big improvements in the transport system—can be completed on time, though without a day to spare.

Keep digging

For example, a suburban railway line connecting the main Olympic stadium with the new Athens airport has yet to be constructed. At present, on a bad day it can take 90 minutes to drive from the airport to the city centre. A new tram service, which will make it easier to reach the coast from almost anywhere in the greater Athens sprawl, has not got very far.

In June, the government announced a scaling-back of some of the Olympic projects because costs were spinning out of control. There would be one less hockey field, and temporary stands for many

sports. In all, the measures would save up to \$285m. The IOC raised no objection to this economy drive, but was aghast when problems emerged over the venue for the soccer final, though these have now been settled. To accommodate Olympic visitors, 11 passenger ships have been chartered.

Easily the most controversial building project has been the construction of a rowing and canoeing centre on a coastal site called Schinias, east of Athens and adjacent (though there is disagreement over how closely) to the battlefield of Marathon where the Athenians defeated the Persians in 490 BC. Four environmental groups have led a campaign against the development, on two grounds: first, that it would wreck one of the last havens of biodiversity near Athens (the site is home to 176 species of birds and a rare kind of pine forest); and second, that it would desecrate an important historic site where democracy won the day against overwhelming odds.

The Greek government, under strong pressure from the IOC to get started, decreed what it described as a compromise: the sports complex would go ahead, but extra care would be taken to preserve the area's biodiversity (which had been under threat anyway because of commercial development), and anything that was archaeologically important would be left alone. The protesters, who had gathered 11,000 signatures to oppose the artificial rowing lake, were left to lick their wounds.

However, in September the bulldozers unearthed some archaeological finds: houses from the pre-classical period, vases that seemed to be much later, and traces of a temple. Opponents of the lake said the discovery vindicated their interpretation of the ancient texts, which led them to believe that the construction site did include part of the Marathon battlefield; and it disproved the government's claim that the land in question had been under water in classical times. Whatever happens, the government will find itself squeezed between the IOC's wish to get things done and accusations of desecration from conservationists.

In one respect, though, the concerns of the outside world about the Athens Olympics have greatly eased. Not only has the government won a victory by arresting a group of suspected urban guerrillas, it is now preparing to spend \$600m on guaranteeing the security of the games. A team of intelligence officers with experience in the American, British and Israeli security services has been set up to keep terrorists at bay. Nobody can accuse the government of neglecting its duty to ensure that the games have a safe homecoming. ■

A bit more neocracy, please

DEMOCRACY is not, unfortunately, the only term in political science with a Hellenic etymology. Words like tyranny, despotism and gerontocracy (rule by the old) also have Greek roots. But there is no established term, in either Greek or Greek-derived English, for the opposite, rule by the young. Logically, it should be something like "neocracy" or "neaniocracy."

A little more neocracy may be exactly what Greece needs. Consider what has happened in the former communist coun-

tries to Greece's east and north, including the Soviet Union. Fifteen years ago these countries were gerontocracies of the worst kind: places where political power and economic privilege was so firmly concentrated in the hands of complacent old rogues that the young and energetic, who understood what needed changing, got absolutely nowhere.

In the more successful ex-communist states, the balance has now swung the other way: they offer thrilling opportuni-

The young need more opportunities—and more engagement

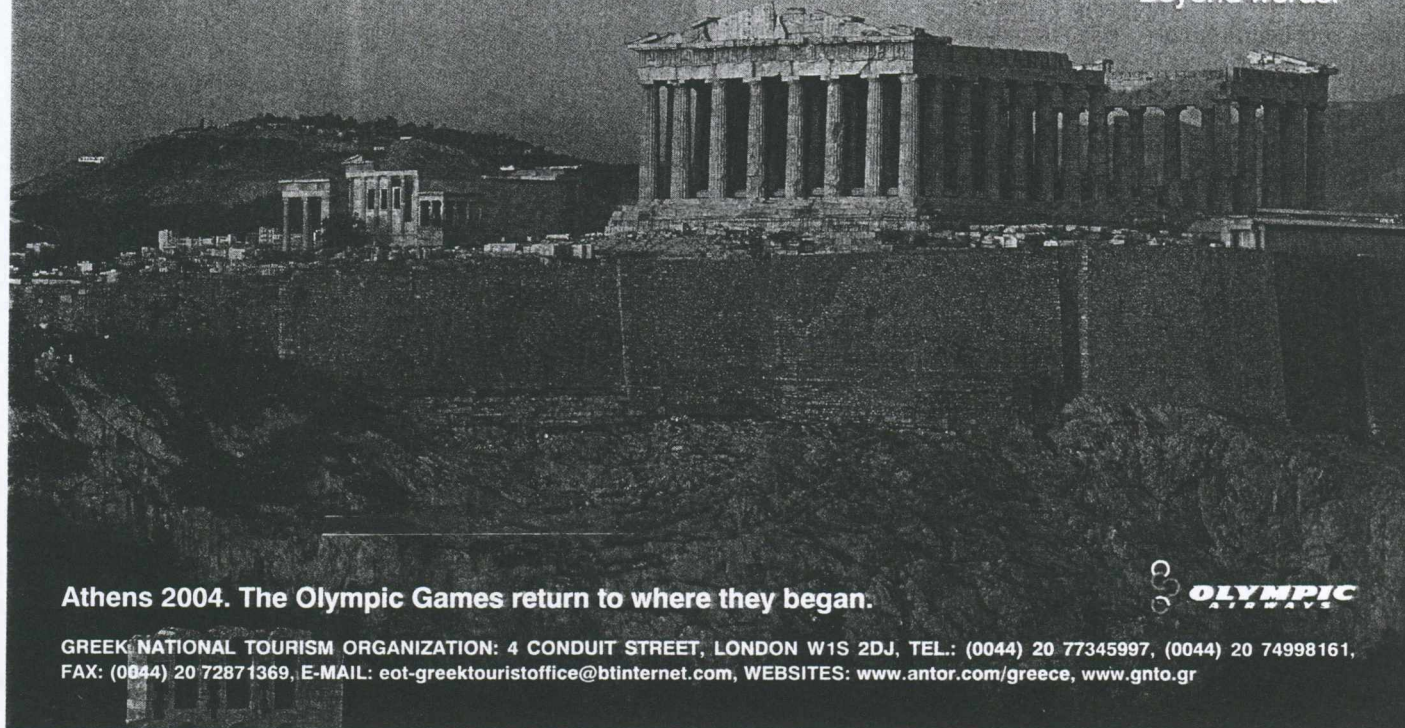
ties for the young and bright, but they are tough places to be a pensioner—unless you have smart grandchildren to support you.

In quasi-capitalist Greece, gerontocracy never went to Soviet extremes, but it certainly persists. Many occupations—from medicine to politics, from academia to the civil service—are dominated by an elderly establishment which has made sure that long service is well rewarded and kept pesky young high-fliers in their place. And yet in a borderless world where young ►►

Architecture Αρχιτεκτονική. A Greek word in origin. It brings science and art together. Greece has more splendid architectural sites than any other country in Europe. Why not come and survey them?

GREECE

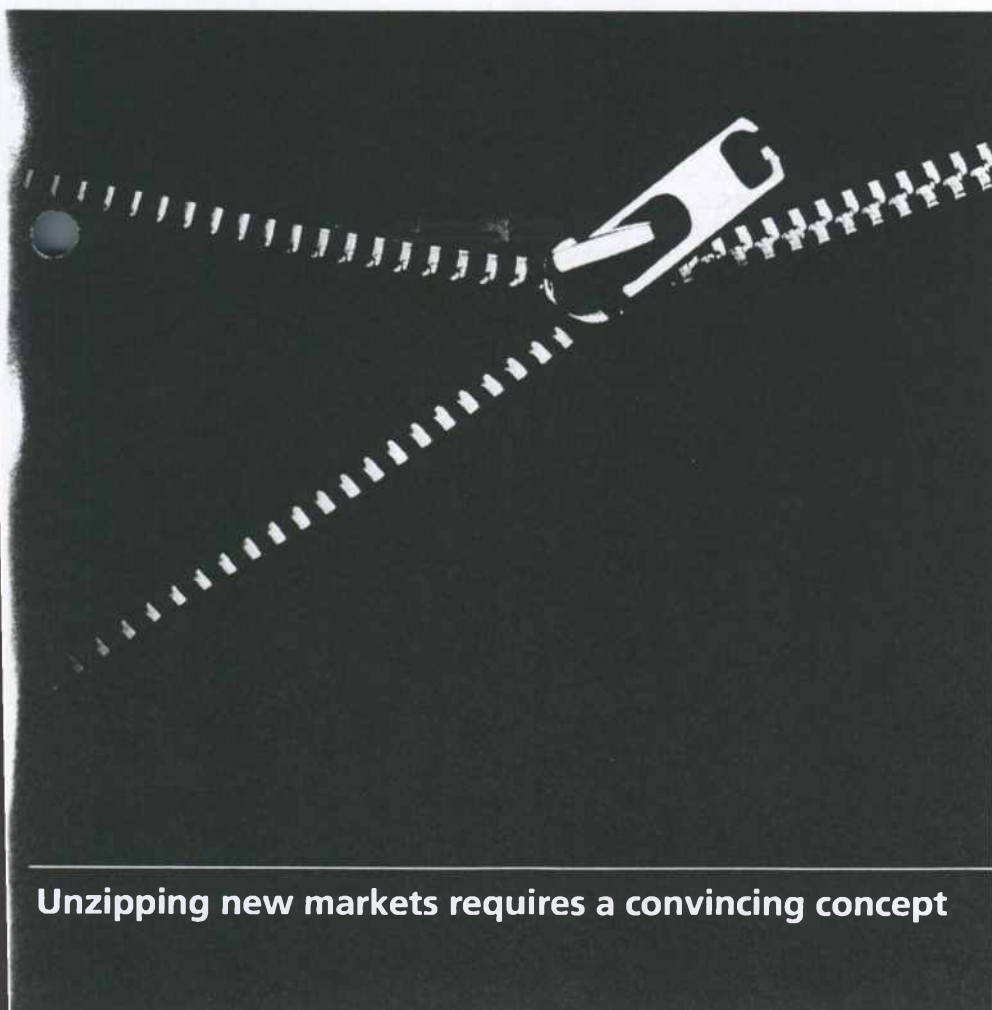
Beyond words.



Athens 2004. The Olympic Games return to where they began.



GREEK NATIONAL TOURISM ORGANIZATION: 4 CONDUIT STREET, LONDON W1S 2DJ, TEL.: (0044) 20 77345997, (0044) 20 74998161, FAX: (0044) 20 72871369, E-MAIL: eot-greektouristoffice@btinternet.com, WEBSITES: www.antor.com/greece, www.gnto.gr



Unzipping new markets requires a convincing concept

Admittedly: the global market is a complex system. But, in reality it all boils down to a simple question: how can suppliers and customers get together efficiently?

Our answer is: exhibition concepts, which enable the international interests of exhibitors and trade visitors to intermesh as closely as possible. That is possibly what makes exhibitions organised by the NürnbergMesse so attractive for international business.

For information call: 0 12 93. 41 62 66
European Marketing Resources Ltd
PO Box 242 · GB-Crawley · West Sussex
RH10 3FN · Fax 0 12 93. 88 47 64
emr@bondway.demon.co.uk
www.nuernbergmesse.de/international

NÜRNBERG MESSE





BANK OF GREECE

The Greek banking sector: Financial conditions and supervisory challenges

Following the liberalisation of capital markets and the banking system in Greece through the '80s and the early '90s, the policy stance became focused on enhancing market infrastructure, while preserving and further strengthening the soundness of the banking system, which crucially contributed to the smooth integration into the Eurosystem.

Financial conditions

The exceptionally good performance of the Greek bond market up to EMU entry compensated for the impact of the recent decline in investment banking income upon overall bank profitability.

The return on Greek banks' assets was 1.44% in 2001 (1.86% in 2000) and the return on equity was 17.9% in 2001 (20.7% in 2000). The weighted average capital adequacy ratio of Greek banks, regarding almost entirely the Tier I segment, was 13.35% on a solo and 12.31% on a consolidated basis in 2001 (15.31% and 15.08%, respectively, in 2000).

The strong capital base reinforces the soundness of the banking system, which demonstrated noticeable resilience in the volatile market conditions of the last two years.

Supervisory challenges for the future

Maintaining the banking system's soundness in an environment of changing conditions and increasing international exposure of Greek banks, not only in neighbouring countries, where their expansion is remarkable, is a primary objective of the Bank of Greece, in its supervisory capacity, complemented by further objectives.

These objectives relate to further enhancements in the provisioning, transparency and auditing framework, an active participation in international fora, the adoption of the new Basle accord framework, and addressing issues of product and system innovations and increased public attention to a broad array of consumer-sensitive issues.

During the euro change-over period, the Bank of Greece had extended its on-site inspections in the context of its anti-money-laundering action, and, in the aftermath of the September 11 events, it actively participated in the international efforts of combatting the financing of terrorism; in connection therewith, it has strengthened and expanded its co-operation with other national and international competent authorities.

For further information please contact:

Bank of Greece

www.bankofgreece.gr

Banking Supervision Department

e-mail: bogdnp2@otenet.gr

Tel.: ++ 010 320 3285

Fax: ++ 010 323 9096

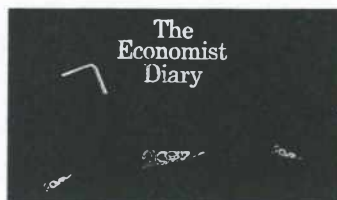
It's never too early to order from The Economist Collection.



The Economist Collection includes diaries and business accessories.



Leather goods can feature your logo in gold, silver, colour or blind blocking.



Diaries can be customised with your company logo.



A range of Filofax organisers and accessories are available.

The Economist 2003 Collection A gift for you

Designed to support the lifestyle of the business executive, The Economist 2003 Collection brings organisation and composure to a hectic world.

All the items carry the hallmark of quality and craftsmanship without compromising on functionality. Purchase today and start planning your future.

A gift for your customers

Giving gifts in business is just as enjoyable as giving gifts in your personal life and it makes good business sense.

The Economist Collection makes choosing the right gift easy. Names, initials and logos can be embossed on to any of our products to give an individual touch, or we can even include a special foreword within our diaries to promote your company.

Special Offer

Order from The Economist Collection within the next 21 days and we will send you a free copy of **The World in 2003**.

Please quote reference: A1



UK & Overseas: +44 (0) 131 654 7677



Or, e-mail your request to:
economistdiaries@letts.co.uk



North America, Latin America & Canada:
(1) 416 438 7657



Or, e-mail your request to:
economist@lettscanada.com

Or, view the range on:

www.economistdiaries.com

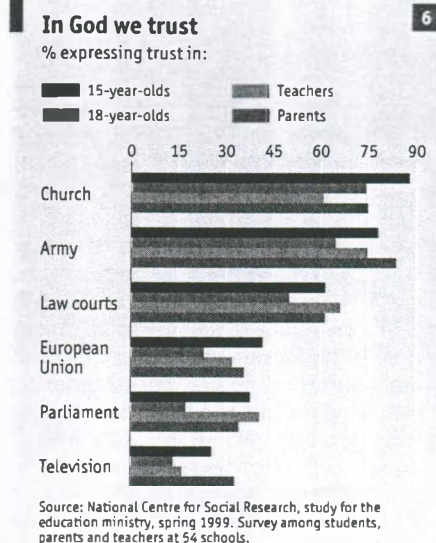
sters in other countries are making their fortunes as software designers or rock stars, it will be hard to maintain a gerontocracy in one country alone.

The modernisation of the Greek economy has created some new opportunities for the young, even though their parents generally remain keen for them to follow traditional career paths. The middle-class boy who might once have aspired to a routine job at a state-owned bank or airline may well kick over the traces and become a foreign-exchange dealer or a mobile-phone salesman.

But if Greece's younger generation is to play a more active role in shaping the country's future, the first thing that must be improved is education. Ask any Greek employer what most needs changing about the nation's public services, and high on the list—along with excessive taxation, corruption and over-regulation—will be the school system.

Education is one of many areas of Greek life where a flourishing but shadowy private sector thrives on the inadequacies of an over-protected, over-regulated public sector. Because Greek parents are (justifiably) dissatisfied with the teaching of state high schools (especially in languages, or any sort of professional training), there are thousands of privately owned night-schools that aim to fill the gap. The elite (on the political left as well as the right) educates its children at smart private day schools (or even finishing schools in Switzerland), so there is little pressure for change from that direction.

State universities, despite pockets of excellence, are notoriously chaotic and non-meritocratic in hiring staff. For the would-be lecturer in search of a job, having a friend who is a senior professor at the establishment of his choice means more than teaching skills or published papers. These defects have spawned many private



colleges, some of which have close ties to America or Western Europe. But in a host of ways—for example, by refusing to acknowledge their degrees as qualifications for the public sector—the state discriminates against such private establishments.

Greener grass

The net result is that many youngsters give up hope of getting a decent college education in their homeland and look elsewhere. On a per-head basis, Greece sends more students to universities abroad than most other countries in the world (see chart 5). Britain is the most popular choice; its 30,000 or so Greek students are a significant presence on campuses from Aberdeen to Exeter. This puts a strain on Greece's balance of payments, but in theory such a vast exodus of youngsters should bring tremendous benefits to their home country by making them more sophisticated and broadening their minds—provided that at least some of them eventually come back.

Sadly, the mind-broadening does not always happen. There are some mediocre establishments in Britain that specialise in handing out diplomas to impress Greek parents (but nobody else); and there are plenty of homesick students who spend hours on the phone to their families and have as little as possible to do with their temporary homeland. Still, there are also many talented young Greeks who get good degrees from the best universities in Britain, America or Germany. The difficult part is to make sure that these brainy boys and girls come home again.

For many years, the prospect of up to

two years' service in the armed forces has put young men off returning. If you have just graduated *summa cum laude* from Harvard or Yale, manning a sentry box on the Greek-Turkish border or sharing a ship's cabin with 30 seasick youths seems a waste of time. Yannis Papantoniou, the defence minister, recently announced a gradual shortening of military service, but a professional army—which most European now have—is still some way off.

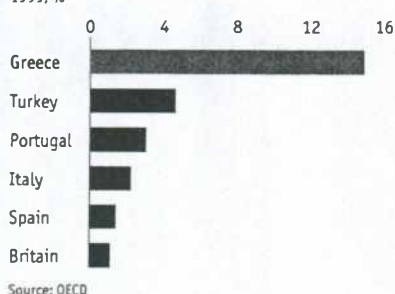
If Greek society is to thrive in the early 21st century, it will have to find ways of harnessing the talents of its young people—by investing more in the education system, by persuading those who have studied abroad to return to Greece, by finding decent jobs for them, and by curbing the special-interest groups (from high-school teachers to retailers) that dominate many areas of Greek life and get in the way of bright young people.

If that is done, it will be up to the youngsters themselves to find new ways of combining the Greek and the cosmopolitan, the local and the global. "Our generation will have to find a different mixture of the old and new," says Yannis Solos, a 25-year-old practitioner of Byzantine church chanting, a tradition going back more than 1,000 years. He is now immersed in a very different tradition, Chinese herbal medicine, which he is studying in Beijing.

Perhaps the biggest challenge facing young Greeks is that there are not many of them. Along with Italy and Spain, Greece has seen a plunge in its fertility rate. Combined with prodigious longevity, especially among women, this has produced an extraordinary demographic effect. On current trends, by 2015 the number of Greeks aged between 15 and 24 will have fallen by nearly a quarter from the current figure, whereas the number of octogenarians will have increased by 70%.

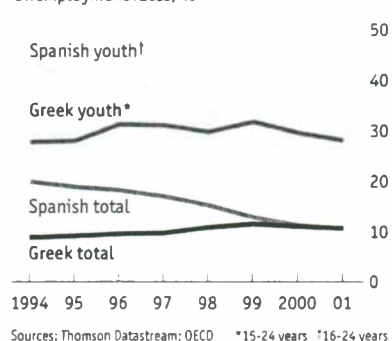
The lure of abroad

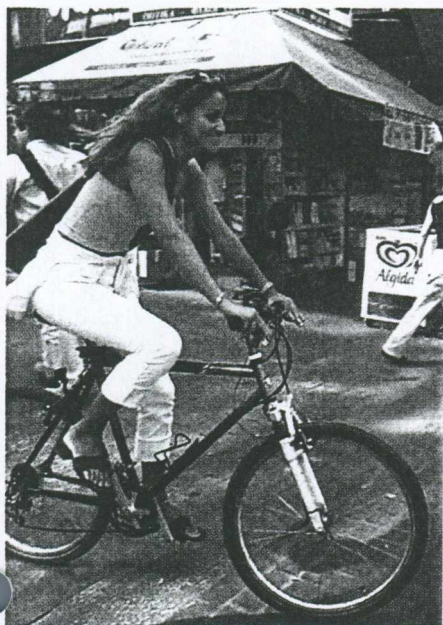
Young people studying in other OECD countries 1999, %



Hard on the young

Unemployment rates, %





But is she a political animal?

One way in which young people in other European countries assert their independence—leaving home and finding a place of their own to live—is, for better or worse, much less prevalent in Greece. For all their reluctance to reproduce, Greeks of all generations take family life very seriously. Compared with other countries in the European Union, the number of births outside marriage is very low; the average age at marriage is low (albeit rising); the age at which young people (including married ones) leave the parental home is high; and the divorce rate is low (though rising). Yet despite, or perhaps because of, the strong attachment to the family as an economic unit, Greece has an exceptionally high incidence of abortion. Appearances be all-important, and even the younger generation seems willing to make concessions to that principle, whatever it gets up to in private.

Young conservatives

One big question facing young people is how they will cope with the immigrants in their midst who offer the only hope of keeping the economy growing reasonably fast. That question is still wide open. Sometimes the anecdotal evidence is encouraging, sometimes not. When a row broke out a few years ago over whether an Albanian pupil at a Greek high school should be allowed to carry the national flag in a parade—a privilege traditionally granted to the best student in the class—his strongest supporters were his (mostly Greek) class-mates. But some young Greeks are remarkably conservative. Just listen to a selected group of schoolchildren called “the legislature of youth” that the Greek parliament invites every year to stimulate adolescents’ interest in national affairs. These boys and girls make solemn,

formulaic speeches about the welfare of their homeland which would come more naturally from a 50-year-old.

Daubed on the walls of university campuses, you can see both nationalist and anti-nationalist slogans. “The Aegean belongs to the fish,” is one wag’s comment on Greek-Turkish arguments over territorial waters. But one striking sign of youthful conservatism is the ubiquity of the hammer and sickle; a small but significant section of Greek students remain doggedly loyal to the old-time religion of Marxism-Leninism. As for religion in the more traditional sense, a surprising number of young Greeks show more attachment than their parents to Orthodox Christianity—not only as a national institution, but also as a spiritual calling.

Whatever their ideology, the great majority of Greek youth—like their contemporaries in other countries—are much less interested in politics than their parents were; they are keener on music and the arts and on advancing their careers, and less inclined to believe that a change of political masters will make much difference to their lives. The waning of party loyalties—which used to turn campuses into battle-grounds more recently than in other European countries—is no bad thing in itself. But Greece very much needs its younger generation to become “political animals” in the broad sense in which Aristotle defined the term: people who are interested in society as a whole.

Among Hellenes of all generations, interest is rising in clubs, associations and lobby groups that cut across the old ideological divisions. Only a decade ago, Greeks automatically assumed that any

new movement—of feminists, ecologists, anti-nuclear campaigners or even sports fans—would be a front for one political party or another; now they are much more inclined to take such movements at their face value.

According to Tania Ritsou of McCann-Erickson, an advertising agency, young Greek consumers have deep respect for their heritage. In particular, they are keen to recapture the vanishing rural world of their grandparents, whose customs and lore intrigue city-dwellers with busy modern lives. Recently, she says, this has translated into a taste for products that emphasise craftsmanship and high quality rather than superficial glitz, solidity rather than sophistication.

That is fine, but the younger generation of Greeks still has a lot of growing up to do. According to Nikiforos Diamandouros, a sociologist, the proportion of Greeks who have a mature attitude to the state—ie, who expect a fair and rational trade-off between civic rights and civic obligations—is still well under half. An absolute majority of Greeks of all ages—perhaps as many as 60%—still see the public sector as a source of personal bounty, just as it was in Ottoman times.

If Greece is to evolve into a mature European democracy, a higher proportion of young people—whether Christian or communist, traditionalist or revolutionary, home-birds or socialites—will have to commit themselves to changing that balance. And if they are to make a difference, more of them will have to be induced to stay in their homeland in the first place, or return to Ithaca before they become too exhausted by adventuring. ■

Offer to readers

Reprints of this survey are available at a price of £2.50 plus postage and packing. A minimum order of five copies is required. Please send your order with pre-payment by cheque to:

The Economist Shop
15 Regent Street, London SW1Y 4LR
Tel +44 (0)20 7839 1937
or fax credit card orders on
+44 (0)20 7839 1921
or e-mail: shop@economist.com

Corporate offer

For corporate orders of 500 or more and customisation options, please contact the Rights and Syndication Department on:
Tel +44 (0)20 7830 7000
Fax +44 (0)20 7830 7135
or e-mail: rights@economist.com

Future surveys

Countries and regions

France November 16th 2002
Germany December 7th 2002
Brazil February 22nd 2003
Malaysia March 8th 2003

Business, finance and economics

Digital security October 26th 2002
Migration November 23rd 2002
The Internet society Jan 25th 2003
Asian finance February 8th 2003
Biotechnology March 22nd 2003

Previous surveys and a list of forthcoming surveys can be found on our website at www.economist.com/surveys