

Greek PM discusses economic turmoil

THE GREEK PRIME MINISTER DISCUSSES HIS PLANS TO DEAL WITH THE NATION'S CRIPPLING DEBT IN THE FACE OF FIERCE ANTI-REFORM PROTESTS.

TONY JONES, PRESENTER: Greeks are again taking to the streets to protest against tough economic measures that the Government wants to introduce to deal with the country's crippling debt.

The demonstrations and a second general strike in as many weeks have brought Greece to a virtual standstill.

But the man who hopes to lead the country out of the crisis, the newly elected prime minister George Papandreou, says the drastic measures are necessary to revitalise the Greek economy.

And it's more than just financial changes that he wants to make.

Europe correspondent Philip Williams reports.

GEORGE PAPANDREOU, GREEK PRIME MINISTER: We have come to a reckoning... a moment of reckoning, if you like, for Greece to make these changes, and it will be painful.

People know that, but I think people are saying, "Let's do it, let's get over with it".

PHILIP WILLIAMS, EUROPE CORRESPONDENT: In the streets of Athens, thousands of protestors are saying "Let's not do it", that the austerity package is too harsh: cuts to pay and conditions, changes to pensions, higher taxes.

Somehow, this newly elected prime minister, George Papandreou, has to convince his country to accept a medicine that for many is simply too hard to swallow.

Do you ever wish, in your quiet moments, you'd lost the election, that this wasn't your problem?

GEORGE PAPANDREOU: Well, I have taken on problems... Whenever I have taken on, it so happens, in my political career, when I've taken on posts, they are usually during crises...

PHILIP WILLIAMS: You're used to trouble.

GEORGE PAPANDREOU: I am used to trouble.

PHILIP WILLIAMS: And trouble is exactly what he's got: a country heading towards 300 billion Euro in debt; a budget deficit that was nearly 13 per cent of GDP; and the need for billions



more from a market scared of default; and the broader fear that the Greek financial flu will turn to a European contagion and drag the whole world down with it.

What is the fundamental problem with the Greek economy?

GEORGE PAPANDREOU: Well, yes, we do have first of all a home-grown problem, which was the mismanagement of our economy, particularly by the previous government - corruption, cronyism, playing (unclear) politics.

A lot of money was wasted, basically, through these types of practices. So we need to make some real, deep structural changes, as, of course, dealing with

the immediate problem of the deficit.

PHILIP WILLIAMS: Eliminating corruption, cutting spending, raising taxes - all challenge enough, but now the Greeks have had to turn to reluctant European partners for support.

There's no cash up front, but a signal to the market countries like Germany and France will, in some as yet undefined way, back Greece.

GEORGE PAPANDREOU: Not by giving money to Greece. We're not asking for bailouts or handouts. We're saying we need to be able to borrow at the similar rate.

So this is what would happen: they would - other countries would - help us in order to borrow at these rates, which are lower rates. So this is, I think, very credible ... a very credible response to the problems we are facing right now.

PHILIP WILLIAMS: Of course, you've also got an austerity program, which is quite a tough cut to people's wages, conditions, pensions...

It's one thing to announce that program; it's another thing to actually get the people to cooperate with that program.

GEORGE PAPANDREOU: Obviously, if the pain becomes too much there will be problems, but I believe that people understand that this - these changes must be done and we do have wide support.

Even today, we have a public approval rating between 60 and 70 per cent.

PHILIP WILLIAMS: Does that surprise you, given the - given the tough-

ness of the cuts?

GEORGE PAPANDREOU: It's ... it's a positive surprise, I would say, because... As a matter of fact, I would ... I could, and you know this because Australia has lived through Olympics.

I would say that the spirit we have of unity and of determination today in Greece, I can only compare it to what we felt during the Olympics. Of course, that was a time of jubilation, but there was a real sense of unity.

Now is a time of crisis, but again, there's a sense of this ... of wider approval, of, "Let's move on, let's make these decisions, let's change this country".

PHILIP WILLIAMS: And it's not just the Greek finances and the institutions that George Papandreou says must change.

GEORGE PAPANDREOU: As you know, you have lots of Greek restaurants, and of course a huge Greek community in Australia, and we have a Mediterranean and Greek diet which is considered one of the healthiest types of diets around the world.

We have to go back to that diet - reinvent it, if you like - because we have also moved into a fast food, uh... touristy kind of a diet. So these are areas where we need to change.

PHILIP WILLIAMS: You're talking about a fundamental restructure of society.

GEORGE PAPANDREOU: Absolutely.

PHILIP WILLIAMS: The Greek leader has a long and difficult road ahead converting his extraordinary optimism into market confidence.

He has the Europeans behind him for the moment. Just how far behind will be tested as the bond market makes its judgement and soon.

GEORGE PAPANDREOU: Everyone in Australia, I know there's great sympathy for Greece and we've had a long historical relationship, and we'll move ahead and make this crisis an opportunity.

PHILIP WILLIAMS: Very best of luck. Thank you.

GEORGE PAPANDREOU: Thank you very much. Thank you. Search Lateline

Reporter: Philip Williams

Clashes mar Greek austerity protests

Police have fired tear gas and clashed with youths as tens of thousands protested in Athens, Thessaloniki and other main Greek cities against austerity measures to tame a public debt crisis. The clash began in Athens after a group of 50 young demonstrators were seen trying to approach a row of luxury hotels on central Syntagma Square. As police fired tear gas to push them back, another 250 people, according to authorities, broke apart from the main body of demonstrators to throw stones and firebombs at officers as the protest began to melt away in disarray. Two photographers were injured in the process and three people were arrested. Around 20 shops in the surrounding area had their windows smashed, police said.

The demonstrations drawing around 27,000 people in Athens and 7,000 in the second city of Thessaloniki, according to police estimates, were held amid a general strike that shut down Greece.

LEGAL MATTERS IN GREECE

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