PASOK scrapes to victory in Greek general election

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Greece's ruling party, the Panhellenic Socialist Movement (PASOK), scraped narrowly to victory in Sunday's general election. PASOK, which has ruled Greece for the past 16 years, beat its main rival, the centre-right New Democracy Party (NDP), by just 500,000 votes.

With almost all of the votes counted, the results were: PASOK, 43.7 percent; NDP, 42.7 percent; Communist Party (KKE), 5.5 percent; Left Coalition, 3.1 percent; and the Democratic Socialist Movement, 2.6 percent. Voting is compulsory for Greece's 9 million-strong electorate. In the 1996 elections, PASOK received 41.5 percent and the NDP 38.12 percent.

Prime Minister Costas Simitis said, "The win gives PASOK the mandate to continue its policy.... I call on all Greeks to fight together for the common targets of a strong, modern and socially just Greece." The government is expected to move speedily ahead with preparations for Greece's adoption of the European single currency, the euro.

The tightness of the vote was such that in the closing stages of the campaign, both major parties sought alliances on the apparently opposite end of the political spectrum. Simitis described the fact that PASOK had won the support of a small right-wing nationalist party as "tangible proof of our goal to have the largest possible cooperation, to recruit as many people as possible to our goal for a strong Greece". Conservative leader Costas Karamanlis, meanwhile, sought to appeal to left-wing voters disillusioned with the PASOK government to vote for a "new beginning" and back the NDP.

The narrowness of the vote expresses the virtual unanimity of both parties on all major policy questions. PASOK and the NDP are equally committed to Greek membership of the euro-zone—one of the major issues in the election campaign.

Simitis had called the election early, hoping to exploit the fact that in March Greece was deemed to have satisfied the Maastricht convergence criteria, setting out the fiscal grounds for a country's membership of the European Monetary Union, and had applied to join the euro-zone next January. The European Union is to decide on the Greek application at its summit in Portugal in June.

PASOK officials have compared the country adopting the euro with the restoration of democracy following the military dictatorship a quarter-century ago. As in many other European countries, the social democratic PASOK has been responsible for establishing the economic conditions for euro membership since its last election victory in 1996 by cutting public spending, particularly on pensions. Six years ago, inflation was almost 15 percent and the budget deficit almost 10 percent of gross domestic product. Inflation is now down to 3 percent, and the budget deficit last year was 1.5 percent of GDP.

The government also introduced a programme for privatising state-run industry. Last year, Greece's second largest shipyard at Elefsis was privatised. Just before the election, PASOK announced that it had added CosmOTE, the mobile telephone subsidiary of OTE, the state-controlled telecommunications operator, to its privatisation list.

Government support for liberalisation, deregulation and entry to the euro-zone has fuelled a stock market boom, making PASOK popular with Greek businesses. However, it cost it support amongst working people, who have had to pay the price of the country's "success" with the loss of some 150,000 jobs in industry and the so-called reform of the pension system. There was also significant popular opposition

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to PASOK's sympathetic response to the NATO bombing of Serbia last year and its collusion in the kidnapping of Kurdish rebel leader Abdullah Ocalan.

In the run-up to the election, a series of collapses on the Greek stock exchange further compounded social grievances. The more recent falls seem to have been precipitated by the government's March 9 announcement that it had applied to join the euro. The Athens stock market index has lost more than 20 percent of its value since the start of the year.

The falls have impacted harshly on Greece's many small investors—large numbers of whom have lost their life savings. With cuts in public provisions, many middle class people had looked to the stock market as a means of guaranteeing their futures. About 30 percent of Greek households are estimated to own shares.

Riot squads have been needed to protect the exchange and stockbrokers from demonstrators shouting "Give us our money back" and “they are robbing us". The demonstrations, which coincided with the announcement of the snap election, continued for two days.

PASOK had accused brokers sympathetic to the NDP of starting the wave of panic selling. The government intervened to support share prices, with reports that listed companies close to PASOK being asked to arrange informal share buy-backs, rather than donate to the party's election campaign. An official investigation into "unusual transactions" is currently under way.

The NDP backs membership of the euro-zone and supports the Simitis government's "warming of relations" with Turkey and plans for the faster liberalisation of the economy. Nonetheless it complained that efforts to meet the Maastricht criteria had left a "wave of poverty", particularly across rural Greece, and blamed government enthusiasm for the stock market for having misled many small investors.

Karamanlis also sought to shore up NDP support on the right by forming an electoral alliance with the Liberals, a centre-right splinter group founded last year by Stefanos Manos, a former economy minister who launched Greece's privatisation programme.

The NDP also benefited from the decision of the nationalist Political Spring party not to contest the election. Making a play for the nationalist vote, Karamanlis had told an election rally in Athens: "Now is the moment to take down the old party flags and to raise the flag of Greece."

Anti-immigrant propaganda played a central role in the election campaigns of both parties, leading to complaints from human rights groups of "mainstream extremism". At election rallies, PASOK and the NDP competed to be toughest on immigration, promising a crackdown on "illegal entrants", mainly focussed against Albanian immigrants. Panayiotis Dimitras, from the group Helsinki Monitor based in Athens, said that views previously associated with the far-right were increasingly a feature of the official parties' election propaganda.

In an attempt to recapture support at the last moment, PASOK ministers made a series of promises regarding increased living standards. Simitis announced that pension contributions for almost 300,000 low-paid workers would be covered for this year out of surplus revenues, whilst Economics Minister Papantoniou told an election rally, "We've achieved price stability and we'll soon have a budget surplus. It's time to start the redistribution of wealth."

In reality, PASOK now has to press even harder to meet the demands of European business—particularly in the area of "structural reform". One of its first tasks is to complete negotiations on a new wage deal with the public sector unions, who have called for a 3.5 percent increase, in contrast to the government's 2 percent offer.

The international markets are particularly insistent that PASOK must set a deadline for ending the index-linking of wages—the catch-up increase awarded if the government's year-end inflation target is overshot amounts to 0.7 percent this year. Further changes demanded are more "flexibility" in the labour market and the concretising of PASOK's pledge to encourage international investment in its privatisation programme, previously restricted to minority stakes in state enterprises.

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