

## EVENT REPORT

### The Shockwave Effect of the Greek Election: the End of Austerity or the Beginning of the End of the Eurozone as We Know It?<sup>1</sup>

*With one-third of Greeks at risk of poverty or social exclusion and more than a quarter of the population unemployed, the landslide victory of left-wing anti-austerity party SYRIZA in Greece's recent national election is hardly surprising: What did surprise is SYRIZA's choice for ANEL, the "Independent Greeks Party", a small right-wing anti-austerity party with a dubious reputation, as coalition partner. The coming weeks will show what this all means and how Prime Minister Alexis Tsipras thinks to solve Greece's pressing financial problems. His main election promise was to scrap the current financial deal with Greece's creditors, restructure the Greek debt and roll back the harsh austerity measures imposed on his country. But how does he think to achieve these goals and on how much support can he count from European leaders (and peoples)? So far the reactions of EU leaders have been cautious. The current debt and reform deal with Greece, referred to as "financial water boarding" by Greece's new finance minister Yanis Varoufakis, is widely seen as "unsustainable". The flying visits from the President of the European Parliament Martin Schulz and Eurogroup President Jeroen Dijsselbloem seemed friendly but inconclusive. However, as was made clear by Commission-Vice President Jyrki Katainen and Dijsselbloem: Greece's commitments haven't changed and time is running out for Greece (by the end of February). Then again, on the meeting of EU foreign ministers on 29 January the new Greek foreign minister Kotzias did not oppose the extension of sanctions against Russia as was feared. So, how pragmatic will the new Greek government be and how much leeway can it expect from the rest of Europe? The SYRIZA victory could have wider implications for Europe. With two other southern member states holding elections in 2015, Portugal in October and Spain in December, like-minded anti-austerity parties of the left, such as Podemos in Spain, might get a boost from the result. So, at the end of the day, the question for all European citizens is: how will the Greek election result, the policy of the new Greek government and the EU's way of dealing with it affect the elections in Portugal and Spain, the situation in the Eurozone and the European project as a whole?*

January 25<sup>th</sup>, the day of the Greek election, has been a wakeup call for European leaders. While quite a few had thought that Greece wouldn't cause them too much trouble any longer, the result of the Greek snap elections proved them wrong. SYRIZA, the radical left-wing party of charismatic party leader Alexis Tsipras scored 36% in the elections and missed the absolute majority in the Greek parliament by only two seats (the Greek constitution grants the strongest party an extra 50 seats in order to facilitate the forming of stable and strong governments). As Tsipras had announced to tear up the conditions imposed on Greece by the Troika in case of a victory at the election; the eurozone leaders could no longer count on the government's willingness to comply with the austerity reforms agreed on with the Troika and implemented by the previous government. Even worse in the eyes of the Troika: Tsipras had not only declared his intention to renegotiate the whole package, but also announced to hire 12,000 public servants previously sacked. What is feared most of all is that Tsipras' policy might revoke the hard-won achievements of the last years.

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<sup>1</sup> The event took place on 25 February 2015. Guest speakers were: **Viriato Soromenho-Marques**, Professor of Political Philosophy, Philosophy of Nature and European Ideas in the Departments of Philosophy and European Studies of the University of Lisbon, Portugal and **Eleni Varvitsioti**, Journalist, EU Correspondent *Kathimerini*. The event was moderated by the director of the Heinrich-Böll-Stiftung European Union, **Klaus Linsenmeier**. The opinions expressed do not necessarily represent the opinions of the Heinrich-Böll-Stiftung.

The coalition partner Tsipras has chosen, the Panos Kammenos' 'Independent Greeks', is a nationalist right-wing party with dubious political reputation and objectives which often oppose those of SYRIZA. Both parties' only common denominator is the rejection of the Troika and its austerity policy imposed on Greece as well as the rejection of the Greek political establishment ('the system'). Tsipras' choice for ANEL was a pragmatic choice: the Independent Greeks were the only available party willing support such a radical readjustment/realignment of the relation with Brussels. Whether the coalition will hold for all of the parliamentary term is uncertain, but it seems like for the time being Tsipras has placated his coalition partner by giving its party leader Kammenos the ministry of defence he so badly wanted.

### **The reasons behind SYRIZA's success**

The rise of SYRIZA has many reasons, first and foremost the social and economic consequences of the unprecedented fiscal consolidation that has been taken place in Greece. After six years of recession – a reduction of the Greek GDP with more than 25% – the economy seems to be slowly recovering, but while the aggressive cuts of the past years were grudgingly accepted, the improvements they brought about are imperceptible for ordinary people. Second, the previous government of Antonis Samaras had lost its steam for reform in the months after the elections in 2012. People did no longer see any progress nor did they have the feeling that the situation would change to the better with a Nea Demokratia government. And third, while people had considered SYRIZA as too radical during the last elections, the party's abandonment of former extremist positions has made it socially acceptable to vote for it and turned it into a valid alternative for voters from the political centre.

During the 2012 election campaign, the big issue was whether or not to stay in the eurozone, but all major parties including SYRIZA were in favour of Greece's remaining in the eurozone at any cost. At that time, Nea Demokratia played the 'fear card' maintaining SYRIZA would make things worse by undoing past achievements and won. But after two more years without perceivable progress, people thought it couldn't get any worse and turned to SYRIZA, a radical party that did not have any record of corruption and nepotism and promised to clear up the mess in the Greek administration. In addition, a widespread rumour during the 2015 elections was that the EU would pay any price to avoid a Grexit and might give in to Tsipras' attempts to alter the conditions. Thus at Election Day, SYRIZA was capable of streamlining this glimpse of hope and most of the frustration with the previous government's achievements to a clear victory. But the eurozone leadership didn't give in that easily as nowadays it is much better prepared for a Grexit than three years ago, although it would deeply regret such a step.

### **Much depends on SYRIZA's success**

Tsipras' and Varoufakis' brash behaviour was met with disapproval by the EU leadership and finally they succumbed to the pressure and most of the new government's proposals are off the table for the time being. However, the negotiations between Athens and its eurozone partners are not expected to lose any of its fierceness. Tsipras was carried into government by a wave of public dissatisfaction with previous politics, and at some point he will need to deliver results to his constituents in order to keep up public support for reforms agreed upon by his government and the eurozone institutions. Public finances and the performance of the Greek economy have been improving, but remain quite fragile. The bailout fund ESM (European Stability Mechanism) and the (partial) banking union have contributed substantially to Greece's (slow) recovery, but the country is not remotely out of the woods. On the contrary, the election of Tsipras scared the financial markets; on the first day after the elections the Greek stock market plummeted. This biggest one-day drop in several years once again proved the fragility of the Greek economy. And with the slow economic recovery,

public discontent starts to spread as people want to see and feel the situation improving and not only be told that it will. The new Greek government wanted to launch a welfare packet to mitigate the misery of those hit hardest by the crisis, but was reminded of its obligations by its European creditors. New spending will only be permitted when new financial sources can be found for example through the limitation of tax evasion, a measure Tsipras has declared a primary objective.

With a view to the upcoming elections in Portugal and most of all Spain, the eurozone leadership has an obvious interest in not giving in to Tsipras' demands as this might encourage other radical leftist movements to come up with similar ones. The next challenger will probably be Podemos, SYRYZA's 'sister party' in Spain, which is increasingly gaining in support and is expected to do well in the election in December this year. However, if the eurozone leadership stays too intransigent towards the Greek demands, the high public support for Tsipras might decline and leave his government weakened. The left wing of his party and his coalition partner are an additional reason for preoccupation: they too could block the parliamentary process and the work of the government. But for the moment the agreement Tsipras reached in Brussels gives the Greek government a few months to breathe and to prove its capabilities. If the eurozone leadership sees progress, they may allow for some flexibility in the implementation of further reform measures. It is clear that at some point Tsipras needs to deliver something that satisfies the voters, his party and his coalition partner in order to maintain his government's stability and its capacity to act. Breaking with all of his pre-election promises will not leave his government unaffected. A failure of the SYRYZA government carries the risk that people in their anger and dismay will increasingly turn to a right-wing extremist party like Golden Dawn.

### **Rising populism and a lack of vision**

In the course of the economic and financial crisis, mentalities have changed all over Europe. Populism seems to be on the rise in nearly every EU Member State, often both left- and right-wing populist parties gain in support as they promise easy solutions to complicated problems. As long as such populist parties don't have to take on the responsibility of governing a state and have to face the interdependencies and constraints Tsipras is currently experiencing, they will keep promoting their unrealistic solutions to the crisis. What is worrying is the fact that current developments in Europe show a relapse to nation state-linked patterns of thinking whereas quite the opposite is required.

European leaders generally lack a creative vision for Europe and can no longer fill their electorate with enthusiasm for further European integration. At the same time, they use their voters as justification for being reluctant on anything that relates to the European Union and European solidarity, be it in the areas of further enlargement or in the provision of additional aid packages to Greece. The EU Member States' leaders clearly need to overcome their 'it's the other's problem' mentality'. In times of growing economic and financial interdependencies, challenges such as the Greek crisis can't be faced outside of their context. Although the crisis seems distant to Germans, it strongly affects their country too. On national levels, both in Germany and in Greece, it is important to make clear what the benefits and the disadvantages of the European Union and the eurozone are.

A recurring element of the financial crisis in Europe is a lack of communication and transparency, even though these aspects are essential to the survival of governments. Important choices that are not made clear to the population of the Member States cause a feeling of frustration and powerlessness regarding the European Union. The people in richer eurozone countries do no longer feel comfortable about lending money to Greece whilst the Greeks are blaming Germany for the hardship they are currently experiencing. Although there certainly is some truth in this assessment, only shifting the blame for the debt crisis on

Europe and its policies will not improve the situation. Calling each other names has not done anybody any good but hardened the positions and has undermined European solidarity. It is time to forgive each other and move on. What Europe needs is a new approach to leadership, and the SYRIZA government in Greece has a unique opportunity in this respect: as it is the first time this party takes on responsibility, none of its members have been involved in bribery scandals and can be made accountable for mistakes of past governments. The time to point a finger at the previous government is over; SYRIZA should now openly expose the situation, explain the hard choices Greece is facing, and finally tackle the crucial issues such as tax evasion. Far-reaching reforms are sometimes painful, but if the alternatives were on the table people might at least understand the constraints and not turn to destructive parties as Golden Dawn. Tsipras has introduced a new culture of governance in Greece and public support remains high. However, just as Junker has called his Commission the 'last-chance' Commission, the same term could apply to the Greek government.

### **The need for solidarity**

Although the European Union normally reacts quite slowly, it has proven to be quick in demonstrating its solidarity when setting up the ESM and the banking union. It is this readiness to quickly react to changing circumstances and a strong political commitment to the EU, which are needed right now. More than ever, the process of European integration – which is currently on hold – needs to be revitalised.

Countries voluntarily have ceded competences to the EU when the benefits of common solutions clearly outweighed the losses in national sovereignty. Now is the time for the eurozone countries to demonstrate their solidarity with Greece and their willingness to help it get out of the crisis. Interdependencies are strong between the economies in Europe, and turning away in frustration from the other's problems will ultimately harm all eurozone countries. The prospects for the Greek economy are not rosy and require the eurozone to step up its efforts and develop resolute and sustainable solutions to the Greek problem.

We need to overcome the illness of nationalism and narrow-minded leadership. Europeans have to stand together against environmental crisis, climate change. Strategic military threats, terrorism, social injustice, economic inequality and the menace to democratic rule and human rights created by unregulated global financial markets.