

The inevitable European showdown has arrived – between Tsipras and Schauble

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The Greek Parliament has just had three rounds of voting for a candidate whose credentials mattered to very few and for a post that is, in itself, of little consequence. Moreover, the outcome – fresh parliamentary elections because no President of the Republic was agreed upon – is one that the majority of Greeks, according to the opinion polls, do not want.

So, Greece now stumbles towards national elections on January 25th amidst a climate of tremendous uncertainty at home and renewed jitters across the euro-zone. Once again, a small partner threatens to shake the system as a whole: akin to Connecticut risking plunging the USA into a full-blown crisis. The international financial markets have been worried and the euro exchange rate has immediately fallen.

If the Greek Parliament has proved unable to deliver what most – in and out of Greece – have preferred there is, however, an inevitability about the looming clash that voters face. Since Greece secured its bail-out in May 2010, it has been governed by a succession of leaders that have shared an overriding commitment to the nation's participation in both the EU and the euro. These are totemic issues for the country's mainstream elite and have defined agendas of 'modernisation' as advanced by Costas Simitis who took Greece into the euro. It has been a political elite that has proved unable to weather the crisis, however. The politicians have squabbled and stepped away from consensus, while successive governments have only partially-delivered the necessary domestic reforms. Amongst business leaders, by contrast, there is a more evident consensus on the kind of reforms Greece needs.

Having lambasted the weakness of his predecessors, the current PM, Antonis Samaras promised to be tougher with Greece's partners and the 'Troika' overseeing the bail-out. With signs of recovery this year and some progress with reform, Samaras appeared to ease his foot on the reform peddle since a government reshuffle last May. He talked of the end of the Troika, but Greece's partners have insisted on her fulfilment of the reform programme before the final tranche of the loan and a future credit-line could be sanctioned.

In short, Samaras' leadership has presented Europe with a government in Athens that it has found difficult to champion. And the Greek political system, for all its existential commitment to 'Europe', has continuously struggled to achieve the structural reforms that this entails. So, with relatively modest differences in approach between Papandreou, Papademos and Samaras as successive PMs, Greece is now faced with the alternative strategy of Alexis Tsipras and SYRIZA's opposition to austerity, while being in favour of euro membership.

The real clash that looms, however, is between Tsipras and Wolfgang Schauble, the German Finance Minister. The latter has been the 'hawk' insisting that Greece must fulfil all its obligations before any relief can be contemplated. Chancellor Angela Merkel has felt the electoral pressure at home to adopt a tough stance, but she is probably more willing to find a basis for compromise and avoid a further euro-crisis. She cannot move, however, without Schauble.

At the same time, the strategy of Tsipras is far from clear. If he becomes PM after 25th January, he'll have no more than four weeks to negotiate a deal with the Troika before the current (extended) bailout ends on February 28. Without a settlement, Greece could quickly face bankruptcy. Added to that, a SYRIZA government will seek a re-structuring of Greece's long-term debt from its creditors. And these negotiations will take place amidst the frenzy of trying again to elect a President of the Republic and avoiding yet more parliamentary elections.

It is by no means clear that SYRIZA will achieve the 36-38% that would probably give it an overall majority in Parliament. It may well have to strike difficult party deals at home while trying to battle with Europe. The rightist nationalists of the 'Independent Greeks' might not make it into the next Parliament. Any compromise by SYRIZA with the fragmented centre-left – of the reduced PASOK or the new untested 'Potami' – will risk alienating its own voters and make it difficult to deliver on its promises. The post-election scenarios are plentiful and also include a repeated election.

Domestic chaos may face Schauble's intransigence in a struggle for Europe's direction. But, in reality, it was always thus from the beginning: between a system of governance in Athens that was barely fit for purpose and a German political leadership hell-bent on an ordo-liberal philosophy that is inappropriate for a heterogeneous currency union.

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