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The new phase of the Greek drama

The Greek election of 26 January 2015 has brought the European debt crisis back to the international agenda. The victory of the leftist SY.RIZ.A party and its co-operation with the populist right-wing Independent Greeks one signal the beginning of a new, different period for Europe. The Greek government, which is unexperienced and unfamiliar with the modus operandi of the European Union, attempts to develop its own agenda risking to derail the international commitments of the country and arguably its European orientation.

From the very first beginning the Greek government was encountered with a serious dilemma. It either had to agree with bailout terms and ask for an extension of the current program which would expire by the end of February or become isolated and lose its access to liquidity.[1] The first weeks of February were dramatic. Greek Finance Minister Yanis Varoufakis attempted to convince his European partners including German Finance Minister Wolfgang Schäuble and his French counterpart Michel Sapin that previous rescue packages had been unsuccessful recommending subsequently a reconsideration of the European economic policy vis-à-vis Greece and a relaxation of terms. However, his effort proved unsuccessful. Wolfgang Schäuble reminded him during a meeting they had in Berlin on 5 February, for instance, that agreements have to be respected.[2] On the whole, Germany is not prepared to accept changes in a financing program which had been accepted by all Eurozone parliaments in the past and is currently in progress.

Within this context, the Eurogroup of 16 February 2015 handed over an ultimatum to the Greek government to request an extension of the current bailout.[3] Two days later Yanis Varoufakis sent a letter 'applying for the extension of the Master Financial Assistance Facility Agreement for a period of six months'.[4] The reaction of Germany was negative. Analysing the argumentation of Varoufakis, spokesman of Schäuble Martin Jäger regarded the proposal as a 'non substantial one' on 19 February.[5] In the next dramatic hours until the Eurogroup of the day after, the Greek government promised to remain committed to the country's obligations and proposed to present its own reform ideas to be assessed by the European Central Bank, the European Commission and the International Monetary Fund. On these grounds, an agreement was reached stipulating for an extension of the program for four months - instead of six .[6]

During the ongoing crisis, it is an observable phenomenon that after winning an election, Greek politicians are brought back to harsh reality at once.[7] Pre-election promises, populism and illusions are buried when unavoidable decisions have to be made at the international level. In that regard, the Greek government's request for an extension of the bailout program is not surprising. Nonetheless, the difference between words and deeds is always large. Approximately four weeks after the Eurogroup's decision of 20 February, progress was rather poor. The Greek government found it hard to deliver domestically because many of its members and voters were expecting a strong anti-bailout course. Ironically, instead of immediately providing solutions to problems, SYRIZA has preferred to employ a different communication strategy in front of the international and the national audiences respectively.

Seeing the lack of progress and realising that the country is running out of cash, Greek Prime Minister Alexis Tsipras sent a letter to Chancellor Merkel on 15 March 2015. In this letter, he dramatically focused on his future dilemma of being forced to either pay for salaries and pensions or for Greece's international obligations.[8] He therefore asked for an understanding by the creditors of the country in safeguarding its liquidity. Five days later, on 20 March, Presidents of the European Council, the European Commission and the Eurogroup reconfirmed their adherence to Eurogroup's agreement of 20 February during a meeting with Premier Tsipras, Chanchellor Merkel and President Hollande in Brussels.[9]

Although the Greek Prime Minister is endeavouring to provide a political dimension to the European negotiations of the Greek crisis, he has not managed to escape from the rule of supervision by the Institutions, previously known as Troika. Chancellor Angela Merkel focused on this critical aspect in a press conference following her conversation with the Greek Premier in Berlin on 23 March.[10] All in all, the Greek government can have the 'ownership of reforms' according to the afore-mentioned statement of 20 March but these reforms need to be evaluated by its creditors concerning their efficiency and fiscal impact.

Future developments remain unknown as they largely depend on the policies of the Greek government. The main challenge for it goes beyond submitting a satisfactory reform proposal to the Eurogroup. Important as it is, this proposal will only be valuable if SY.RIZ.A will practically deliver. For the time being European partners fail to trust it. That is because they have clarified that no disbursement of payment will be made before reforms start to be carried out. It is certainly not a positive sign that important European politicians including German Finance Minister Wolfgang Schäuble and European Commissioner Pierre Moscovici do not now publicly exclude a 'Grexit' for the first time since the outbreak of the debt crisis.[11]

The mission of the new government is difficult. That is because it still seems to be a hostage of its own pre-election rhetoric and promises. Prime Minister Tsipras himself appears prepared to follow the path of realism and stop blaming external factors – mainly Germany – for Greece's problem. This is what he said in front of Chancellor Merkel for the first time in his political career.[12] It is now his responsibility to convince his party and the Independent Greeks on why he has decided to abandon his anti-German logic - which almost brought him to power - in a matter of hours.

Theoretically, SY.RIZ.A has now a unique opportunity. It can benefit from the existing flexibility of the bailout program and focus more on structural reforms than on austerity.[13] Experience from the administration of previous Greek governments suggests that they had not been prepared to efficiently fight against tax-evasion and corruption. SY.RIZ.A, which had not governed in the past, might possibly break the vicious circle. In parallel with this, Greek citizens who are frustrated with traditional parties – namely New Democracy and PA.SO.K – will possibly support a reform policy implemented by new figures and not old-guards, quasi professionals of the political landscape.

The current situation is critical though and does not allow much optimism. There are two sine qua non parameters the Greek government needs to accept in order to further proceed. The first is the need of a final conclusion of the ongoing bailout program under arranged terms. And the second is the commitment to continue fiscal consolidation and draw on balanced budgets. If the Greek government practically adapts to these requirements, its European partners will not withdraw their support. But if it ignores them, their patience will possibly expire.

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