

National



Head of radical leftist Syriza party Alexis Tsipras waves yesterday while leaving the party headquarters after winning the elections in Athens. Photos: Alkis Konstantinidis/Reuters

Kurt Sansone

Syriza's victory in Greece sent markets tumbling when they opened across Europe on Monday but they recovered as talk of compromise started to gain ground.

In many ways the oscillation is representative of what is likely to happen over the next few months as negotiations between the new Greek government and European partners get under way.

With Syriza leader Alexis Tsipras elected on the promise to renegotiate Greece's bailout programme and end painful austerity, many in Europe will adopt a wait-and-see approach.

"Syriza's victory will boost other leftist parties in the EU that are against austerity programmes"

Roderick Pace, head of the Institute of European Studies at the University of Malta, says one "political eccentricity" could be ruinous for a Greek economy that has hardly begun to recover.

"From today Syriza is no longer electioneering but governing, which could make it more sanguine," he says, adding the party has been careful in its choice of words.

Mr Tsipras has tried to calm down investors by insisting Greece will not ditch the euro currency. But this may be difficult if he insists on Greek debt being written off by European and international lenders.

Prof. Pace argues the eurozone is strong enough to withstand the shock of a Greek exit if the situation reaches that point. However, Syriza will find it hard to fulfil its electoral promises if Greece becomes an interna-

How will Greek symphony end?



Newspaper headlines on the results of the elections in Athens.

tional pariah in the financial markets, he adds.

Lino Briguglio, professor of economics and director of the Islands and Small States Institute, says Greece will likely be poorer if it exits the eurozone and adopts its previous currency, the drachma.

Economists have estimated the drachma would probably be set at par with the euro but eventually will lose 50 per cent of its value.

Prof. Briguglio says that although the depreciation would encourage recovery as exports improve, the end result would still be Greece becoming poorer than it is today. Greek dignity would also take a nosedive, he adds.

"The pride associated with challenging the Troika [EU, European Central Bank and International Monetary Fund] would be much more than coun-

terbalanced by the loss in its GDP per capita, practically rendering the Greek economy similar to that of a developing country," Prof. Briguglio says.

It will be a long road before a Greek exit from the euro is contemplated but the possibility has been accepted by EU powerhouse Germany, Prof. Briguglio says.

"This stance, most notably by German chancellor Angela Merkel, reduces the bargaining power of the Syriza government and I think an acceptable compromise will be reached."

Finance Minister Edward Scicluna has indicated that a possible compromise could include softening the bailout conditions that impose structural reforms. But Malta, like other eurozone countries, is unwilling to forgive Greece its debt.

Greece was bailed out in 2010 by fellow eurozone countries as it crumbled under the weight of the financial crisis. It was propped up by billions of euros on the condition that the country implement austerity measures and trim public spending.

The deep cuts have hit hard and wide, leaving many in poverty. With unemployment soaring to 25 per cent, Greeks flocked to Syriza, which vowed to end the pain.

But Prof. Briguglio believes the impact of Syriza's victory is more than just an economic one. There will be political repercussions elsewhere, particularly in Spain and Italy.

"Syriza's victory will boost other leftist parties in the EU that are against austerity programmes and which will push the same agenda as the Syriza government."

For Prof. Pace, the Syriza victory is not a fluke because "the politics of austerity" were destined to lead to such an outcome.

He says many lessons have to be learnt, primarily the need for good governance.

"Countries with huge debt-to-GDP ratios need to deal with this problem urgently while the limitations of neo-liberalism have to be better understood, since market forces are essential but not a panacea."

Europe has to aim for a fairer distribution of wealth that leads to social stability, which in turn

strengthens the market economy, he adds.

Prof. Pace believes the Greek election result could help Europe accelerate the politics of growth. "For the future the most important question is how to prevent democratically elected governments from endangering their citizens as happened with practically all southern European countries who for decades pursued the wrong policies unchallenged."

A re-think of the eurozone's raison d'être may be necessary but for the time being Greece's predicament will overshadow any other debate.

Prime Minister Joseph Muscat says caution is understandable at this juncture because in an ideal scenario Greece should remain in the eurozone.

"I believe all that is possible should be done to ensure Greece remains inside the euro but the impossible must not be contemplated," Dr Muscat says, referring to slashing Greece's debt as suggested by Syriza.

Finding the right balance between the possible and impossible will not be easy in the months ahead.

Economics, market realities and politics will intertwine as the Greek symphony under the baton of Mr Tsipras causes countless oscillations of doom and success. Which will prevail is another matter altogether.