

GREECE PASSES THE FIRST AND MOST CRUCIAL HURDLE

BUT IT HAS A LONG WAY TO THE FINISH

A. The Vote in Parliament

The previous 48 hours have been the most critical in the recent history of Greece. A turbulent debate in Parliament both at the Committee level and in the Assembly with fire crackers on both sides and intense exchanges has come to an end late on Wednesday night. The results of the vote first:

In favor	Against	Present (*)	Abstain
153	128	18	1

(*) It is similar to abstaining but it does count on the participation and thus increases the majority required. If a large number of MPs chose to abstain a piece of legislation may pass with less than 151 votes.

As expected the economic package has passed with an overall majority but with the government damaged by the defections from PASOK and the position taken by Democratic Left¹. However, the government has survived and now they face the easiest part of passing the 2013 Budget on Sunday. A strong vote on the latter may *marginally improve sentiment*.

Mr. A. Samaras the Prime Minister and Mr. Y. Stournaras the Finance Minister will face the Europeans from Monday with relief. The ball now is in the creditors' court but many issues remain unresolved. The tranche is expected to be released towards the end of the month assuming that the remaining obstacles are overcome.

The government has little respite as they have to implement all the voted reforms, speed up re-capitalization of banks and the injection of some liquidity to the cash starved economy. Their long term survival

¹ The New Democracy party has lost 1 MP and PASOK 5MPs.

rests on their ability to restart the economy and create jobs. A *reshuffle is expected within the next 15 days.*

The opposition SYRIZA party has taken a totally uncompromising stand and they have proven that they will not negotiate with the Europeans but they will rather hand an ultimatum based on a debt freeze. *On this account the fall of this coalition government will trigger GREXIT within a very short time period.*

Mr. A. Tsipras open declaration for revolt today leaves no doubt about SYRIZA's position: "Today, Parliament must be in alignment with the will of the people. So we are appealing to Members elected only at the last election with the parties supporting the Memorandum. In particular we urge members of PASOK and Democratic Left. Do not join the front of the Memorandum, as satellites of Samaras. Align yourselves, even now, on the side of the people in defense of democracy and society. The responsibility towards the country and people is above the ephemeral party discipline. We invite you not to vote in favor of the measures and the budget. We invite you to stand on the height of your historical responsibility and contribute to the great change that the people need."

It remains to be seen whether Greece has managed to turn the corner for good or she is moving in circles.

B. The European Commission's Autumn Forecasts

The Autumn forecasts of the European Commission point towards another difficult year for Greece.

	2012	2013
GDP	-6.0%	-4.2%
UNEMPLOYMENT	23.6%	24%
DEFICIT%GDP	-1.5%	0.7%
DEBT%GDP	176.7%	188.4%

The forecasts once more confirm that the PSI has not resolved the debt problem of Greece. It remains to be seen whether that basic inescapable conclusion will be admitted by the architects and sponsors of PSI! The Spring forecasts were predicting a debt to GDP ratio of 160.6% indicating how wrong the Creditors have planned the Greek program. Successive Greek governments are also to blame as they have failed to implement agreed reforms and privatize state companies on time.

The President of the European Central Bank, Mario Draghi, said today that "Significant, if not excellent progress" was made by Greece, but he nevertheless urged the Greek government to continue its efforts to reduce the deficit and implement reforms, and stressed the criticality of tonight's vote in the Greek Parliament. Mr. Draghi has also admitted that the core is not immune to the crisis: "Germany has so far been largely insulated from some of the difficulties elsewhere in the euro area. The latest data suggest that these developments are now starting to affect the German economy." (Capital.gr and Bloomberg).

Greece is continuously sliding into deeper than expected recession and it will require some additional outside help to restart the economy.