

THE ELECTORAL RESULT: A FIRST ASSESSMENT

SYRIZA has managed to win the Euro elections by a clear margin (3.9%) and in the process they have gained two regions including Attica and a small number of key municipalities with allies. It was a good overall result but still short of a resounding victory as the party is just below the 2012 national result. In fact SYRIZA has not increased its popular vote. SYRIZA is paying the price of a lack of seriousness and incoherent economic policies.

New Democracy has lost a large percentage of the electoral support compared to the 2012 elections. In fact they have lost 530 thousand votes since June 2012. However, they retain a strong presence in the regions and key municipalities and this is a positive sign for the next five years as they try to regroup. The message is clear that austerity has reached its political limits while reforms may also suffer as a result. What is even more disturbing for ND is the decline in support from the middle class and the professionals which are now voting for SYRIZA out of protest for the real estate taxes imposed since 2012. New Democracy is also paying the price of lack of renewal both in terms of persons but also of policies. Old faces are still around and the fragility of the government majority prevents the prime minister to take any initiative in the short term. But he is running out of time. A considerable part of the party is reluctant to support him for a number of reasons. The government was too much preoccupied with the implementation of the MOU and failed to address other issues most notably the planning for the next EU supported development framework program and in general failed to project a realistic road map for return to growth.

FINAL RESULTS IN EURO ELECTIONS - MAIN PARTIES

	SYRIZA	ND	ELIA	GOLDEN DAWN	POTAMI	COMMUNIST PARTY	INDEPENDENT GREEKS
% 2014	26.58%	22.71%	8.0%	9.4%	6.6%	6.1%	3.5%
VOTES 2014	1516699	1296007	457585	536442	376655	347487	197545
VOTES 2012	1655066	1825633	755836	425982	0	277180	462456
CHANGE 2012-14	-138367	-529626	-298251	+110460	+376655	+70307	-264911

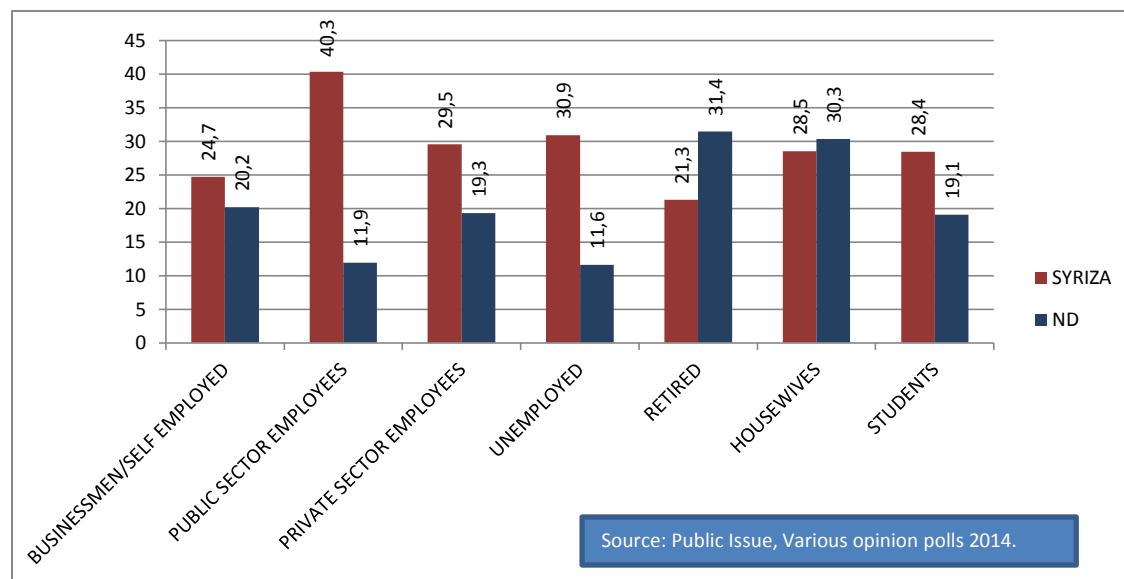
ELIA PASOK has performed better than expected although well below the 2012 result. They have lost almost 300 thousand votes since June 2012. The party now has the time to regroup probably in a broader center left alliance under a new leadership. They have retained some positions in the regions and key municipalities but they have lost some traditional strongholds. Over the last 15 days before the elections ELIA has managed to take some votes away from its senior partner in the coalition and the blackmail by Mr. Venizelos has paid some results.

Overall the coalition with a total vote of about 31% and 10 regions (out of 13) have managed to project a message of relative stability. They are likely to get into discussions for both the policy mix and the political strategy so that they take back the initiative in autumn. As a result relations with creditors will become tense and some reforms (especially pensions) will be affected. The preannounced reshuffle of the government is going ahead, probably on the 9th of June. It will include the replacement of the Minister of Finance who is moving to the Bank of Greece.

Golden Dawn has retained its strong position despite the judicial inquiry and the revelations of murderous paramilitary activities. They will continue to attract voters from across the board on a patriotic anti MOU and anti-systemic basis. However, they have probably reached their upper limit.

The electoral result indicates major shifts in voting behavior among social classes. ND is losing ground across the board. Economic policies without focus have resulted in an alienation of traditional ND voters. Excessive taxation of real estate is alienating the upper middle classes. Public sector pay policies and the threat of redundancies have driven away from ND the public sector employees. SYRIZA is gaining the protest vote in almost all social categories with the exception of the retired.

Electoral support of the two main parties in various social categories



However, the result of the Euro-elections has created a number of new possibilities. First, the emergence of *POTAMI* has added stability parameters to the system. The new party is placed in the center left and may take an active part in the forthcoming realignment of Greek politics. Second, opportunism and blind anti MOU and anti-government opposition is not always paying. Democratic Left has been annihilated paying for its abandonment of the coalition and its reluctance to participate in a broader alliance with ELIA. The

Independent Greeks have also lost 50% of their electoral support and they are on the way to the political graveyard. Third, the electorate is tired from old faces and has shown that in a number of key municipal elections.

SYRIZA SURGE	RE-ALIGNMENT OF CENTER	RE-ALIGNMENT OF THE RIGHT
<ul style="list-style-type: none"> Establish dominant realistic policy agenda. Attracts more dissatisfied voters and becomes a majority force in Greek politics. 	<ul style="list-style-type: none"> POTAMI ELIA and Democratic Left form new dynamic force of progressive stability. Contain vote leakages to SYRIZA <ul style="list-style-type: none"> Built new government alliance. 	<ul style="list-style-type: none"> New Democracy regroups and absorbs the smaller parties on the right. Softens its policy agenda and reapproaches the middle classes. Capitalizes on possible recovery.

The way ahead has considerable risks and uncertainties:

- An attempted re-alignment on the right may lead to more short term fragility in New Democracy but remains the only viable option. A number of independent MPs have already been approached and with the electoral decline of Independent Greeks, ND is likely to be able to absorb part of their electoral base. It is crucial for ND to reduce real estate taxes affecting the core of its electoral base and refocus the economic policy towards more spending cuts if necessary.
- The key issue remains the re-alignment of the left of center and especially whether ELIA POTAMI and the remnants of Democratic Left can find some common ground ahead of the next general election. This could be a game changing development but faces considerable difficulties as PASOK is internally divided between those looking towards SYRIZA and those willing to continue the current arrangement.
- SYRIZA has won this round but has to prove that they offer a real governing alternative with a clear economic policy. The key is the appeal of the party to the middle class. If they persuade the heavily taxed middle classes that they will not continue the same policies as the coalition government then SYRIZA has a real possibility of an electoral triumph in the next elections. Furthermore, they have to rethink their alliance strategy and build bridges with the center left in anticipation of forming a coalition government after the next general election.

The outcome of the next general election is still wide open as the real difference between the two leading parties is just over 200 thousand votes of a very volatile electorate.

However, the government has a very difficult period ahead as they have to continue implementing a difficult reform agenda and prepare for the debt negotiations in autumn. The coalition is facing major political difficulties as they try to balance between the message of the ballot box and the message of the markets. Having just gone through a bloody but not fatal electoral battle they have to prepare for the next one in the spring of 2015 if their effort to create a presidential majority of 180 fails.

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