

POLITICAL DEVELOPMENTS DECEMBER 10TH 2014

a. The presidential election

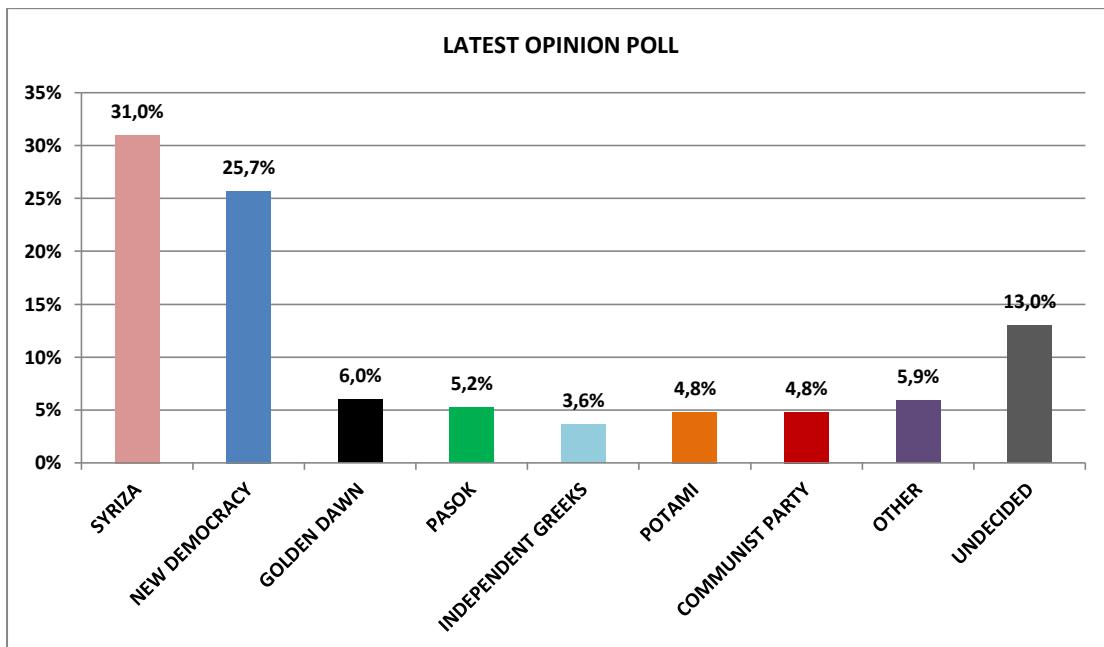
There is no fundamental change regarding the election of the new president. The numbers do not add up. The coalition has great difficulty at this stage to exceed 164 MPs and it seems that another door has been closed as the 10 Democratic Left MPs have decided tonight (10/12/2014) to follow party line and vote against Mr. S. Dimas.

Given this deadlock a number of scenarios have been circulating in Athens. The most prominent is that between the second and third round Mr. S. Dimas will resign to be replaced by a centre left candidate in an attempt to win over the Democratic left MPs and some Independents. However, I consider such a development as non-realistic at this stage and even if it was initiated the probability of turning around the tide would have been minimal. But in politics we can never say never.

b. National elections

National elections seem now inevitable and SYRIZA remains firmly in the lead although there will be a long and dirty campaign with the possibility of mistakes along the road and some difficult turns.

The latest poll taken on the 8th and 9th of December gives a comfortable lead of 5.3% to SYRIZA. At this stage an overall majority in Parliament cannot be ruled out. I give to this possibility a 25% chance.



SOURCE: The Poll carried out by ALCO will be published tomorrow the 11th by the weekly PONTIKI.

The latest poll indicates that the fundamental electoral dynamics have not changed due to the announcement of an early presidential election or the market turmoil. However, it is too early for changes to be absorbed by the electorate.

First, the government is paying the price of a disastrous run since the European elections. The incorporation of the most populist elements of New Democracy in the government reshuffle has alienated serious voters from the centre who have been supporting ND in the absence of any alternative. Secondly, the implementation of the real estate tax has hit the traditional electoral base of ND and serious mistakes in the estimation of the tax have further undermined the credibility of the government. Thirdly, the adoption of an MOU-exit rhetoric without preparing the ground has backfired and resulted in further credibility loss. Now the electorate believes that this government has exhausted its usefulness and they are not even trusted by the creditors. ND will keep project an image of the guarantor of stability and continuing European participation. They will bank on fear as in 2012 but this strategy may not work this time.

SYRIZA is promising an end to austerity and a renegotiation of the support framework. Whether this is possible or not at this stage may not be important for the electorate. Voters might give SYRIZA a chance to test the waters. The credibility of its economic program has not become an issue with the voters as they are losing their patience with austerity and are increasingly sinking into debt being unable to keep up with tax obligations and bank loans. The creditors' inflexibility is playing in the hands of SYRIZA as people believe that the soft talk and polite negotiations of the existing government has led to nothing.

The market turmoil might give an alarm signal to the electorate over the next few weeks. The stand of the Europeans might also help if it does not backfire.

c. Items to watch

Over the next few days we expect polarization to increase and thus smaller parties may suffer as a result. There is also a possibility of breaks up and defections. The Democratic Left is on the brink of extinction and Independent Greeks are under pressure. However, the most vulnerable party is PASOK as its former leader Mr. G. Papandreou is looking to make a move trying to return to the political arena. A destabilization of PASOK might have an impact on several fronts depending on the particular form that Papandreou's move will take but more this subject in the days to come.

S. Travlos 10/12/2014