

Greece : taking stock of recent political developments

Written by
Paraskevi Petropoulou
G10 Markets Analyst
ppetropoulou@eurobank.gr

DISCLAIMER

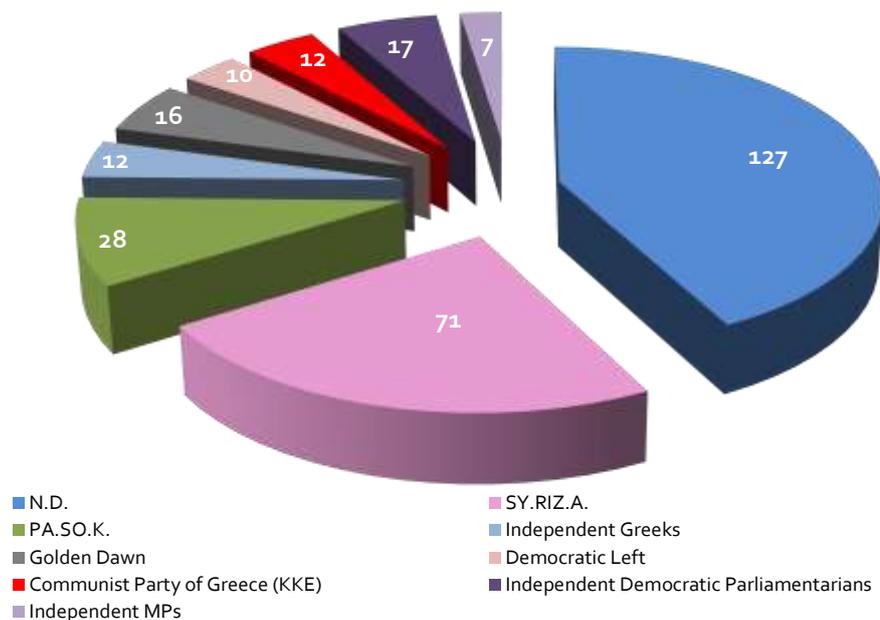
This report has been issued by Eurobank Ergasias S.A. ("Eurobank") and may not be reproduced in any manner or provided to any other person. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned herein. Eurobank and others associated with it may have positions in, and may effect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for those companies. The investments discussed in this report may be unsuitable for investors, depending on the specific investment objectives and financial position. The information contained herein is for informative purposes only and has been obtained from sources believed to be reliable but it has not been verified by Eurobank. The opinions expressed herein may not necessarily coincide with those of any member of Eurobank. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility or liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank or any of its directors, officers or employees.

Any articles, studies, comments etc. reflect solely the views of their author. Any unsigned notes are deemed to have been produced by the editorial team. Any articles, studies, comments etc. that are signed by members of the editorial team express the personal views of their author.

Greek coalition government brings forward presidential election; first round of parliamentary vote to be held on December 17

In a broadly unanticipated move aiming to prevent a prolongation of political uncertainty ahead of the key parliamentary vote for the new President of the Hellenic Republic, the government decided earlier this week to initiate the relevant voting procedure on December 17 i.e., ca two months earlier than the respective terminal deadline. A government statement issued last Monday read that "Greece must be absolutely ready to deploy all its forces and arguments in conditions of national unity and political stability". The statement blamed main opposition party Coalition of the Radical Left (SYRIZA) for undermining the government's efforts to reach an agreement with official lenders for the completion of the present program review, while Prime Minister Antonis Samaras said during a televised address that the government has decided to remove uncertainty and to fully restore political stability by accelerating the presidential election procedure. On its part, SYRIZA leader Alexis Tsipras welcomed the move, appearing confident that the procedure will eventually lead to early national polls and "a government of salvation" with SYRIZA at its core. As a reminder Greece's two-party coalition government currently enjoys the support of 155 lawmakers in the 300-seat Parliament, with center-right New Democracy controlling 127 seats and socialist PASOK 28 (Graph 1).

Graph 1- Current allocation of seats in the Hellenic Parliament



Source: Hellenic Parliament, Global Markets Research

December 10, 2014

What the Constitution of Greece entails for the presidential vote

As per Article 32 of the Constitution of Greece, the parliamentary procedure for the election of the President of the Hellenic Republic incorporates three separate ballots. In the first two – respectively expected to take place on the 17th and the 23rd of December 2014, a 2/3rd majority of the number of seats is required *i.e.*, 200 in-favor votes. If both fail to elect a new President, a third and final ballot will take place on December 29, with a 3/5ths majority *i.e.*, 180 in-favor votes needed. Should this also fail to produce a qualified majority, Parliament has to be dissolved within ten days and general elections to be called. Article 53 of the Constitution requires that general elections are held within 30 days from the dissolution of Parliament, with the new assembly convening in a regular session within another 30 days. According to a number of press reports, the most likely date for a snap national election would be January 25 or, alternatively, February 1, 2015. As per Article 32, as soon as the new Parliament convenes it will have to proceed with the election of the new President, again through three separate votes. In the first one, a 3/5ths majority of the total number of parliamentarians is required. Should it fail to secure the required majority, the ballot must be repeated within five days with the election of the presidential nominee now requiring an absolute majority *i.e.*, 50%+1 or 151 of total seats. If the latter also fails to yield a decisive outcome, a third one must take place within five days, with *relative* majority now required for the election of the new President.

Government nominates former EU Commissioner Stavros Dimas for President

In a televised address earlier this week, Greece's Prime Minister Antonis Samaras announced that the government is nominating Stavros Dimas for the presidential post. The Premier expressed his optimism that Mr. Dimas will secure the necessary parliamentary backing to become the new President of the Hellenic Republic, characterizing him as a well-respected personality who inspires the trust and the respect of citizens beyond individual party preferences. Mr. Dimas has studied law and economics in Greece and the USA and has worked as a lawyer for Wall Street Law Firm Sullivan & Cromwell (1969-1970) and the World Bank (1970-1975). He had been elected to the Greek Parliament ten consecutive times in the period 1977 - 2004 and has held various ministerial positions including the post of the Minister for Foreign Affairs from November 2011 to May 2012 in the interim government led by Loukas Papademos. He has also served as an EU Commissioner for the Environment (November 2004 -2010) and an EU Commissioner for Employment and Social Affairs (March 2004-October 2004). Furthermore, he was a member of the negotiating committee for the accession of Greece to the European Economic Community (EEC) in 1977.

Outcome of presidential vote inherently uncertain

Assuming that all 155 coalition government MPs cast a positive vote in the upcoming presidential ballot, the government still needs to lure an additional 25 in-favor votes so as to have the new President of the Hellenic Republic being elected by the present Parliament. That is, provided that the first two parliamentary ballots, which require at least 200 positive votes, fail to produce a qualified majority. As per a number of press reports, some of extra "yes" votes could mainly come from two parliamentary groups of independent MPs. The first one, Independent Democratic Parliamentarians, accounts to 17 deputies, with some of them being ex-ND or PASOK MPs who were expelled (or unilaterally decided to depart the respective parliamentary groups) in protest of the austerity policies implemented in the context of the two consecutive bailout programs. The second one consists of 7 independent MPs, including two former Golden Dawn parliamentarians, one former ND and four former Democratic Left (DIMAR) deputies. In addition to this pool of potential positive votes, some extra votes in favor of the government's presidential nominee could reportedly come from MPs belonging to other opposition parties, including DIMAR (currently controlling 10 seats) and Independent Greeks (12 seats). Note that the official party line of both DIMAR and Independent Greeks is to cast a negative vote. In the negative vote camp, all deputies of SYRIZA (71) and the Communist Party of Greece (12) are expected to abide by their party line and cast a negative vote. Finally, it is yet unclear whether 7 Golden Dawn MPs (out of a total of 16) who are currently in custody will be permitted to attend the parliamentary procedure for the election of the new President of the Hellenic Republic. All in all, the outcome of the upcoming presidential vote is highly uncertain, and is expected to remain so until the third (and final) parliamentary ballot for the election of the new President.

December 8 Eurogroup favorably disposed to a 2-month extension of Greece's bailout program

The government's recent decision to bring forward the timing of the presidential election was made publicly known just hours after the Eurogroup of December 8th signaled that it is "favorably disposed" to the idea of granting Greece a 2-month extension (*i.e.*, to end February 2015) to its current EFSF program.¹ In the accompanying official statement, euro area officials acknowledged the progress made so far by the Greek authorities to address the outstanding issues underlying the current program review, noting though that a staff level agreement would be unlikely by the end of this year. As per the said statement, official discussions between

¹ An official request for a two-month extension of the EFSF program was submitted by the Greek authorities at the December 10th Euro Working Group.

December 10, 2014

the Greek authorities and the troika “will continue into early 2015 until the staff-level agreement is reached and all the prior actions are deemed to be fulfilled”. Note that the completion of the current review is a prerequisite for the release of additional financing to Greece amounting to €7.2bn. This would incorporate: (i) the last EFSF loan tranche, amounting to €1.8bn; (ii) €3.5bn from the IMF under the Extended Fund Facility; and (iii) €1.9bn in ANFA and SMP profits. Reportedly, the Eurogroup of February 16th, 2015 will assess whether a renewed extension of Greece’s EFSF program will be needed.

Eurobank Global Markets Research

Global Markets Research Team

Dr. Platon Monokroussos: *Chief Market Economist*

pmonokroussos@eurobank.gr

+ 30 210 37 18 903

Paraskevi Petropoulou: *G10 Markets Analyst*

ppetropoulou@eurobank.gr

+ 30 210 37 18 991

Galatia Phoka: *Emerging Markets Analyst*

gphoka@eurobank.gr

+ 30 210 37 18 922

Global Markets Sales

Nikos Laios: *Head of Treasury Sales*

nlaios@eurobank.gr, + 30 210 37 18 910

Alexandra Papathanasiou: *Head of Institutional Sales*

apapathanasiou@eurobank.gr, +30 210 37 18 996

John Seimenis: *Head of Corporate Sales*

yseimenis@eurobank.gr, +30 210 37 18 909

Achilleas Stogioglou: *Head of Private Banking Sales*

astogioglou@eurobank.gr, +30 210 37 18 904

George Petrogiannis: *Head of Shipping Sales*

gpetrogiannis@eurobank.gr, +30 210 37 18 915

Vassilis Gioulbaxiotis: *Head International Sales*

vgioulbaxiotis@eurobank.gr, +30 210 37 18 995

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: EurobankGlobalMarketsResearch@eurobank.gr

Eurobank Global Markets Research

More research editions available at <http://www.eurobank.gr/research>

Greece Macro Monitor: Periodic overview of key macro & market developments in Greece

Daily overview of global markets & the SEE region:

Daily overview of key developments in global markets & the SEE region

South East Europe Bi-Monthly:

Monthly overview of economic & market developments in the SEE region

Global Markets & SEE themes: Special focus reports on Global Markets & the SEE region

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <https://twitter.com/Eurobank Group>