Tsipras Wins and Sets Greece on Collision Course With Euro Partners

By Nikos Chrysoloras and Marcus Bensasson - Jan 26, 2015

Greek Prime Minister-elect Alexis Tsipras set up a confrontation with his European peers as he prepared to form a coalition dedicated to ending austerity, saying the era of bowing to international demands for budget cuts is over.

Tsipras issued the challenge to Greece’s euro-area partners after his Syriza party won a historic victory in Sunday’s elections by harnessing a public backlash against years of belt-tightening, job losses and hardship. Tsipras, who is two seats shy of an absolute majority in Greece’s 300-seat chamber according to the latest results from the Interior Ministry, said his priority “will be for Greece and its people to regain their lost dignity.”

Even in a fragile coalition, the result hands Tsipras a mandate to confront Greece’s austerity program, imposed in return for pledges of 240 billion euros ($269 billion) in aid since May 2010. The challenge now for him is to make good on election pledges including a writedown of Greek debt, while persuading creditors in Berlin and Brussels to keep aid flowing.

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“There will neither be a catastrophic clash nor will continued kowtowing be accepted,” Tsipras, 40, told crowds of cheering supporters in central Athens late Sunday. “We are fully aware that the Greek people haven’t given us carte blanche but a mandate for national revival.”

The euro rose 0.1% to 1.1214 as of 8:49 a.m. in Athens today after dipping to a fresh 11-year low after Syriza’s win.

Coalition Building

With investors bracing for a drop in Greek government bonds on Monday, Greek voters awakened to find their new government taking shape. Tsipras plans to meet Monday morning with Panos Kammenos, the leader of the Independent Greeks party, to tie up an agreement already sketched out to form an anti-bailout coalition. He’ll also meet with Stavros Theodorakis, the leader of To Potami, a Syriza official said.
“Political stability will be difficult to find,” Vincenzo Scarpetta, a political analyst at the London-based Open Europe research group, said by e-mail. Syriza’s potential coalition partners “only agree in parts” with its platform, he said. “The medium-term outlook is far from clear.”

While Syriza’s victory was more decisive than polls had predicted, the results after 99.8 percent of the vote was counted left the party just short of a majority, with 149 seats in the 300-seat Parliament. Outgoing Prime Minister Antonis Samaras’s New Democracy, which took 27.8 percent to Syriza’s 36.3 percent, won 76 seats. The far-right Golden Dawn placed third with 6.3 percent, followed by To Potami with 6.1 percent.

**Samaras Achievements**

“I’m handing over a country that’s a part of the EU and the euro,” Samaras said in televised remarks, as he conceded defeat. “For the good of this land, I hope that the next government will respect these achievements.”

Syriza’s victory sends a signal to parties such as Spain’s Podemos that are challenging economic and political conventions across Europe from a country whose output has shrunk by about a quarter and where one in two young people is jobless.

Investors must now wait for Tsipras to spell out how he plans to negotiate Greece’s future financing needs. An extension of the current euro area-backed bailout program expires at the end of February, with Greece projected to run out of money by July at the latest.

**Euro-Area Talks**

European policy makers including German Finance Minister Wolfgang Schaeuble warned Greece before the vote against diverting from its agreed bailout program. Euro-country finance chiefs are due to discuss Greece when they meet in Brussels on Monday. Germany’s Finance Ministry said in a statement that Schaeuble’s position was unchanged after the election result and “the agreements reached with Greece remain valid.”

Tsipras, while saying that his incoming government is ready to negotiate and cooperate with the EU over debt, declared the era of the troika of the European Commission, the ECB and the International Monetary Fund to be at an end.

“Syriza’s convincing victory in Greece’s election ushers in a new and even more divisive phase in Europe’s fractious politics,” Nicholas Spiro, the managing director of Spiro Sovereign Strategy, said in an e-mailed note. “A dangerous Rubicon has been crossed.”

The election also ends more than four decades of rule by New Democracy and Pasok, the two parties that have alternated in power since the reintroduction of democracy in 1974 following a seven-year period of military dictatorship. Pasok, which won Greece’s 2009 election before
requesting an international rescue the following year, took just 4.7 percent.

“The Greek people punished New Democracy for governing in the petty manner of the old regime’s political parties,” Aristides Hatzis, an associate professor of law and economics at the University of Athens, said by phone. “Most Greeks voting Syriza don’t expect a spectacular change but a marginal one. A marginal one would be significant for them.”

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