

EU Centre Commentary Series

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Greece, the Eurozone crisis, and far right politics

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The worst of the economic crisis seems to be over in the EU as well as Greece, with tourism and export figures projected to rise for the Greek state in 2014. However, unemployment remains high and austerity remains on the agenda for the government of Antonio Samaras as he seeks to balance the budget. On the political front, the Greek government has also finally taken a tough stand towards the

ultra-right Golden Dawn party by arresting some of its leaders, including standing MPs, and charged its deputy party leader in court for “running a criminal organization”. While this may allow Antonis Samaras a stronger hand to deal with next year’s budget, it has the potential to backfire on the government.

Worst of the debt crisis over for Greece?

For those who have been following the developments in Greece since beginning of the debt crisis these are small but welcome signs that Greece will be soon out of the woods. It has been three and a half years since the Greek government requested a loan from the EU and the International Monetary Fund (IMF), as its government bonds were delegated to junk status in April 2010. Two bailout packages have since been dispensed to Greece, with a possible third along the way.

The news coming out from the Eurozone has been relatively positive the past few months and would certainly be good news for Greece as well. Real GDP in the Eurozone grew by 0.3% in the second quarter of 2013 after six quarters of negative growth, and survey-based confidence indicators are also up. Indeed, Greece’s

Finance Ministry has projected that the country will emerge out of recession in 2014 in view of the rise in tourism, exports and investments.

Meanwhile, a new audit of Greece's fiscal performance and reforms by the troika of lenders – the EU, IMF and the European Central Bank (ECB) is currently underway. The Greek finance minister, Yiannis Stournaras, expressed assurances that the findings will show that his government's reforms are working. Even EU leaders like German Chancellor Angela Merkel have been careful to highlight Greece's progress in its reforms for the past one year, as a result of the austerity imposed on it. Just recently on 17 September, Greek Prime Minister Antonis Samaras said that Greece can return to pre-crisis living conditions within 6 years.¹

However, such comments will not bring any immediate relief to those who are suffering from economic hardship. Continued austerity may result in balanced budgets as early as the end of 2013 but the country is still suffering from official unemployment of almost 30% - in particular, youth unemployment is over 60% - and those who lose their jobs could expect to be unemployed for the long term. There is certainly much work that the Greek government needs to do in the coming months to try to bring these figures down.

Growth of the Greek far right – and a final showdown?

The economic crisis that has plagued Greece for the past five years has seen the rise of political extremism in Greece and the emergence of a strong ultra-right party, the Golden Dawn (Chryssí Avgí). Arguably, the “success” of Golden Dawn in making such inroads into Greek politics was helped by voters – upset with the hardships and problems created by the economic crisis and the austerity measures imposed by the troika in return for the bailout packages – abandoning PASOK and New Democracy during the 2012 elections for smaller parties such as Golden Dawn and Syriza.

The party itself is not new - Golden Dawn emerged in the early 1980s and officially registered themselves as a political party in 1992. They had largely remained at the fringes of Greek politics and were unable to make inroads into parliament (their vote share was barely 0.2% in 2009) until the elections of May 2012. By campaigning against austerity and immigration and citing concerns for the economy and unemployment, Golden Dawn was rewarded with 7% of the popular vote and 21 seats in the Greek parliament for the first time. Following a second election in June 2012 (the earlier election was inconclusive and hindered the formation of a

¹ <http://www.bbc.co.uk/news/world-europe-24124189>

government, resulting in the second election a month later) the number of seats Golden Dawn held was reduced to 18.

Much of the news on Golden Dawn has certainly not been positive. The party has been labeled a neo-Nazi/fascist party by the academics, media and its opponents, and members of Golden Dawn have long been associated with a spate of violent attacks against migrants (arguably with the support of segments of the Greek police force). At the same time, their offices have often been targeted by anarchists and those from the far-left, leading to regular clashes between Golden Dawn members and the leftists activists. However, it was the murder of anti-fascist musician Pavlos Fyssas recently that triggered the recent crackdown on Golden Dawn and led to the arrests of its leaders including some of its elected Members of Parliament.

The leaders of the party have now been officially charged in court and Golden Dawn has been labeled as a criminal organization. Under Greece's constitution, a political party cannot be banned, and it is only if the authorities could prove that Golden Dawn is a criminal organization involved in murders and other criminal acts that Golden Dawn can be shut down. A successful court case against Golden Dawn and its leaders could be positive for Antonis Samaras' government and New Democracy – this could allow Mr Samaras a stronger hand to finalize next year's budget and negotiate the conditions for next tranche of bailout package with the troika.² However, it could also make martyrs out of Golden Dawn and increase its support base (recent polls indicate that the support for the party is around 16% or double that of the June 2012 elections), which could then spell more trouble for Greece's already fragile democracy and social fabric. Of course, this is a scenario that may be less likely to occur should the Greek economy see steady improvements contingent to domestic and international economic events.

Conclusion

Events in Greece in some way reflected the “unfinished business” of economic and political reforms. While there are positive signs of economic recovery and return of political sensibility, the Eurozone will continue to face an uphill task in staging a robust economic recovery that would help to improve the political mood of those countries that have been hit by severe austerity measures. However, the first sign of dawn is emerging with the better economic indicators and confidence. Sadly this recovery may yet be dampened by another event beyond the control of Greece and the Eurozone, and that is the looming spectre of default by the US government.

² <http://www.economist.com/news/europe/21587258-will-arrest-golden-dawns-leaders-rebound-greek-democracy-breakthrough-or-backlash>



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