

RELEASE IN PART B6

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Sent: Monday, June 18, 2012 8:06 AM
To: H
Subject: Fw: Athens Update -- June 18

Latest from Greece.

From: Smith, Daniel B (Athens)
Sent: Monday, June 18, 2012 07:15 AM
To: Sullivan, Jacob J
Subject: FW: Athens Update -- June 18

fyi

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From: Lawton, Daniel J (Athens)
Sent: Monday, June 18, 2012 1:53 PM
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Cc: ATHENS-ECON
Subject: Athens Update -- June 18

(SBU) Key points:

- Center-right New Democracy (ND) won a narrow plurality over the Radical Left Coalition (SYRIZA) in the June 17 election and is in the driver's seat to try to form the next Greek government.
- President Papoulias began coalition negotiations a short while ago by giving ND leader Antonis Samaras up to three days to try to form a majority coalition, per the Constitution.

- Samaras will meet separately with SYRIZA leader Tsipras and PASOK leader Venizelos later this afternoon.
- SYRIZA leader Tsipras already stated his intention yesterday to keep SYRIZA in opposition.
- Center-left Panhellenic Socialist Movement leader Evangelos Venizelos has reportedly softened his initial post-election position that the next Greek government should be a broad coalition that includes SYRIZA.
- Democratic Left (DIMAR) leader Fotis Kouvelis is an additional potential valuable partner for a ND-led government, but it remains to be seen whether DIMAR will support such a government.

(SBU) Final Election Results – No Party Wins Absolute Majority...: With over 99.95% of the vote now counted, the mainstream center-right New Democracy party (ND) won a narrow plurality of votes. The Coalition of the Radical Left (SYRIA) finished a close second. Abstention was 37.53% for the June 17 election, up from the previous historical high of 35% in the May 6 election. Of the twenty-two parties on the June 17 ballots only seven parties crossed the threshold for parliamentary representation. Fifteen small parties, including the far-right Popular Orthodox Party (LAOS), the Coalition Creation Again, and the Green-Ecologists, finished well below the 3% threshold to enter Parliament. Vote percentages and projected seat totals for the seven parties are as follows:

- New Democracy (ND): 29.66% (129 – includes 50-seat bonus for party receiving the most votes)
- Radical Left Coalition (SYRIZA): 26.89% (71)
- Panhellenic Socialist Movement (PASOK): 12.28% (33)
- Independent Greeks: 7.51% (20)
- Golden Dawn: 6.92% (18)
- Democratic Left (DIMAR): 6.26% (17)
- Greek Communist Party (KKE) 4.50% (12)

(SBU) ...Coalition Negotiations Begin: According to the election results, first place finisher party ND will not be able to secure an absolute majority. Following the official certification of the elections results by President Papoulias in conjunction with Speaker of Parliament and the interim Interior Minister, the President is expected to hold talks with ND leader Antonis Samaras later today to extend an exploratory mandate to form a government. He will have up to three days to do so; should he fail, Alex Tsipras, leader of the second place SYRIZA, will have another three days to try. Should Tsipras fail, as the third-place finisher, the Greek constitution would then permit PASOK leader Venizelos three days to attempt to form a coalition. In the event that all three party leaders were unable to form a government, President Papoulias would have two days to try to do so. If he were to fail, a third round of elections would be called. ND would have a working 162-seat majority were it to get the support of PASOK, and a strong 179-seat majority were DIMAR to join in.

(SBU) ND and PASOK To Discuss Coalition Government; SYRIZA Insists on Remaining in Opposition: Following New Democracy's (ND) win yesterday with 29.61% of the votes, 2.55% ahead of main rival Coalition of the Radical Left (SYRIZA), ND's leader Antonis Samaras called for a broad coalition of parties that have "similar objectives" to ND's to form a government of "national salvation," stressing that "the country must be governed." He repeated his campaign speech stating that ND intends to safeguard the country's European course and honor its commitments, staying away from new "adventures." At the same time, he advocated implementation of "the necessary policies for growth and combating unemployment." SYRIZA's Alexis Tsipras called Samaras soon after the announcement of the results to concede defeat and congratulate him on the victory. In his post-election public remarks, Tsipras stated that SYRIZA will not join the government and, instead, will form an opposition against Greece's EU/IMF program. PASOK leader Evangelos Venizelos initially called for a government of "national co-responsibility" that would include "at least" ND, SYRIZA, PASOK and Democratic Left (DIMAR). After Tsipras' refusal to participate in such a government, Venizelos appeared to move away from his insistence on SYRIZA's participation in a second statement to the local press, saying he would not leave the country without a government. Venizelos also called for the immediate formation of a government, skipping the exploratory phases given to the first three finishers to form a government, and going directly to President Papoulias for an all-party conference to form a government as soon as today. The Democratic Left (DIMAR) also is a potential coalition partner in a ND-led government. DIMAR's support would give a ND-led government a 179-seat majority in the 300-seat unicameral parliament.

(SBU) Election Day Security Incidents Minimal: Apart from two isolated incidents, the June 17 election passed essentially unmarred by violence or demonstrations. There are no demonstrations scheduled today in Athens. Ten hooded assailants reportedly attacked a polling station yesterday in the central Athens Exarchia district on Sunday, an area frequented by anarchist groups, wounding the two police officers stationed there. The attackers wielded baseball bats and set fire to a ballot box, an unusual election occurrence in Greece. Separately, police found two hand grenades on Sunday several hours apart on the grounds of prominent Greek media group *Kathemerini*. It appears neither was intended to detonate. An anonymous caller alerted police to the first grenade, and after the media reported it had been located, another call was received informing authorities that a second grenade was also on the *Kathemerini* grounds, which was located by police as well. Both grenades were reportedly old and inoperable.

(U) Weekend Wildfires: Greek firefighters are battling a large number of wildfires that broke out in a number of areas in Greece over the weekend. Police reportedly may charge four people with negligent arson for having ignited fires unintentionally while doing construction work. High winds over the weekend hastened the spread of brushfires in the country. Greece is receiving assistance from Croatia and Italy, which are sending a small number of firefighting aircraft as part of the European Civil Protection Mechanism. Summer wildfires are common in Greece, particularly in the drier southern portions of the country.

(U) Positive Statements from Eurogroup and IMF on Election Results: In a June 17 statement, the Eurogroup repeated its commitment to assist Greece and called for the swift formation of a new government to “take ownership of the adjustment program.” The statement went on to say that the Eurogroup “expects the Troika institutions to return to Athens as soon as a new government is in place to exchange views with the new government on the way forward and prepare the first review under the second adjustment program.” In a short statement, the IMF indicated it is ready to “engage with the new government on the way forward to help Greece achieve its objective of restoring financial stability, economic growth and jobs.” One of the first tasks facing a new Greek government will be to identify, with the troika, a total of €14 billion in fiscal measures for 2013 and 2014 to fill gaps in the Medium Term Fiscal Strategy.

(SBU) Piraeus Bank To Sell U.S. Subsidiary: In a move in line with efforts to boost capital adequacy, Piraeus Bank announced on June 15 that it will sell 98.5% of its U.S. subsidiary, New York-based Marathon Banking Corporation to Investors Bancorp Inc. for \$133 million in cash. The sale price is 1.5x the tangible book value of Marathon, which controls \$902 million in assets, \$783 million in deposits, and 13 branches in the New York metropolitan area. The sale is expected to improve the banking group’s capital adequacy rate by 22 bp to 9.3%. The transaction has already been approved by the boards of the two banks but still requires approval by supervisory and regulatory authorities. The deal is expected to be completed in the fourth quarter of 2012.

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