

RELEASE IN PART B6

From: Sullivan, Jacob J <SullivanJJ@state.gov>
Sent: Monday, May 7, 2012 7:35 AM
To: H
Subject: Fw: Greek Elections

FYI

From: Smith, Daniel B (Athens)
Sent: Monday, May 07, 2012 07:29 AM
To: Gordon, Philip H; Hormats, Robert D; Sullivan, Jacob J; Kaidanow, Tina S; Rubin, Eric S; Allegrone, Kathleen H; Snipes, Christopher K; Christopher.Smart [redacted] <Christopher.Smart [redacted]>; Smitham, Thomas D; Evangelia.Bouzis [redacted] <Evangelia.Bouzis [redacted]>; Silverman, Lawrence < [redacted]>; Harris, Rian < [redacted]>
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Subject: Greek Elections

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We are sending in a classified, front channel analysis shortly, but most observers here are predicting that it will not be possible to form a viable coalition government and that new elections are inevitable. The only question seems to be whether those elections take place next month or later this fall. Everyone agrees that yesterday's election marks the end of the political party system that has governed Greece for decades, but what remains to be seen is how quickly a new, stable system emerges. Voters yesterday were clearly in the mood to punish the two main parties and reject "politics as usual," but they did so either by choosing the extremes – the radical left, SYRIZA, and the neo-fascist Golden Dawn – or by abstaining (some also voted for minor parties that will not meet the threshold for entry into Parliament). The concern with holding elections again in just a month is that there will not be sufficient time for new, more moderate forces to emerge that will give people a clear and effective alternative to the extremes.

In the meantime, the Governor of the Central Bank has told me that there has thus far been no massive withdrawals of deposits from the banks, though he remains concerned that something could still trigger that. My EU colleagues here are trying to keep their heads low, but no one seriously believes the Eurozone countries are in any mood to renegotiate the terms of the bailout package for Greece. The concern is that both the IMF and EU may suspend the next portion of the bailout, though some speculate that the EU may be prepared to provide just enough money to keep the Greek Government going while the dust settles.

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