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Greece at the EU's Helm: A Short Presidency with a Crisis Stigma

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At the beginning of January, Greece took over the helm of the EU for the 5th time. Athens will seek to give a higher profile to the country's interests by putting an emphasis on growth and solidarity within the euro area and trying to alter its crisis-laden image. However, the political effectiveness and significance of the presidency will be diminished by the harsh economic, political and social situation of the country and the accelerating campaigns for European Parliament. There is also just four months for intensive negotiations with the European Parliament to secure agreement on the second pillar of the banking union before the end of the current EU political cycle in April 2014.

During the eurozone crisis, Greece went from a symbol of European culture and the cradle of European democracy to the "mother of all economic crises". Not so long ago, numerous experts were suggesting the country needed to be pushed from the euro area. Few of them acknowledged that it would also mean expelling the country from the EU. Fortunately for Greece and for the rest of the Member States, the cold calculations of the costs implied by a more or less voluntary eurozone exit has prevailed. Although many of the causes of the eurozone's weaknesses can be found outside Greece, the task of softening the image surrounding the troubled eurozone may be an uphill task.

Domestic Challenges. The internal economic, political and social situation in Greece remains bleak. Since 2010, the country has been granted external financial assistance of more than €240 billion and has found itself strongly dependent politically on the largest eurozone creditors. The year 2014 marks the end of the second financial assistance programme for Athens; however, it is almost certain that the eurogroup will decide to extend the rescue package. However, any permanent solution to Greece's difficult fiscal situation is rather unlikely in the short run.

Although the IMF expects the country to emerge from recession, GDP growth in 2014 will be symbolic (0.6%) and will not have any impact on the catastrophic situation on the labour market, where the highest rate of youth unemployment in the entire bloc has been recorded (close to 60% in 2013). In addition, the country's political situation remains unstable. The government coalition consisting of the centrist party New Democracy and socialist PASOK, is full of internal conflicts and has just a two-vote majority in the 300-seat parliament.

The two main problems in Greece—its inefficient and overgrown public sector and omnipresent corruption born of the maladies of this sector—seem to be impossible tasks for the ruling coalition, which is afraid to harm the interests of one interest group or another connected to either party. On the other side, the main opposition party, SYRIZA, has formed its strength from populist slogans and claims that it would void the agreement with the Troika (the European Commission, ECB and IMF), even though it probably would lead to a eurozone exit, as a sort of magic wand for all of the country's economic problems. SYRIZA is leading in opinion polls and is on the way to scoring the highest number of Greek seats in the next European Parliament. In addition, in May 2014, Greek citizens will vote in municipal and regional elections, which will render Greek politics even more unstable and might possibly lead to snap parliamentary elections if there is a shake-up in the country's political scene.

Thus, the EU Council presidency task may find itself relegated to the sidelines of Greek politics. In addition, media in Europe have widely expressed doubts about whether the country will even be effective in the rotating presidency. Yet, it seems that Greece, despite all of its administrative limits, is taking its presidency tasks seriously. Personnel at Greece's permanent representation in Brussels has been increased to 150 compared to 97 in 2010, although it is still

considered by many to be insufficient. At the same time, the government claims that the overall costs of the presidency will be minimised to €50 million. That claim by the ruling coalition in Athens is an attempt to show its citizens that it has taken into account their difficult economic and social situation. It seems that the final bill will be much higher, however, because, for instance, security forces will have to take extra measures to protect foreign diplomats, especially those from eurozone creditor countries, after the recent shooting at the residence of the German ambassador to Greece. Several large protests can also be expected during visits by high-level foreign delegations, though this is not new.

Expected Agenda Every country holding the EU Council's rotating presidency seeks to focus on some priorities that are important from a national perspective and likely to garner political support for the government from society. Greece, similarly to the other southern eurozone members, will put an emphasis on ending the seemingly endless talks concerning the importance of pro-growth measures versus austerity. Athens may make attempts to return the Greek case to the forefront in Brussels by presenting the progress in its restructuring efforts. Yet, some arguments, such as the achievement of a primary surplus, are not very meaningful when the level of general government debt to GDP exceeds 175%. The country is also expected to support the idea of new fiscal transfer mechanisms in the new Genuine Economic and Monetary Union in the making.

The Greek presidency is not expected to bring about a breakthrough, owing to the fact that soon politics in Brussels and at home will be dominated by the already accelerating EP campaigns. Due to the tight political calendar, the presidency will have to quickly find compromises with the European Parliament on a number of pending issues, which may be the most significant challenge for Athens. Failure on these issues would imply postponing them to the next political cycle. The most difficult task is the finalisation of negotiations with the EP concerning the Single Resolution Mechanism and Single Resolution Fund, which together create the second key element of the banking union.

Another issue expected to be raised on the agenda is migration. The likelihood that more refugees escaping war and poverty in Africa will die en route to Europe is likely to animate the discussion on the subject. Athens can find support among many of its southern EU counterparts, including Italy, which will hold the presidency after Greece. However, there are no prospects for any concrete steps to stem the problem, mainly due to the indifference of the largest EU members. Athens, as with other Mediterranean countries' presidencies, has declared an interest in maritime issues. Yet, the focus on this issue seems to be directed more toward the Greek public as this area is treated as a marginal affair at the EU level.

The Greek leaders seem to be giving a low profile to the progress in EU enlargement in the Balkans and seem to have adopted a waiting game concerning the accession of Macedonia. Yet, they should take into account that in order to be trustworthy, the presidency cannot openly neglect issues that may collide with national interests. If perceived that way, the Greece's push for more solidarity within the EU might be considered hollow.

Conclusions and Recommendations. The Greek presidency takes over the EU's helm while facing both an unfavourable political context at home and at the EU level. The first half of 2014 will be eclipsed by dynamic national campaigns for European Parliament and subsequent bargains concerning key EU posts. This does not create a good background for either the needed discussion on reforms of the Economic and Monetary Union or for any concrete plan concerning a necessary reduction of Greek sovereign debt.

Its task of holding onto the EU's steering wheel and the upcoming elections will definitely freeze or even reverse the ruling ND-PASOK coalition's efforts to address the country's structural problems. The months to come may witness a counter-offensive in the EU discussions by the anti-austerity camp. The demands to soften the reform burden may be reinforced by a likely SYRIZA victory in the European elections. In addition, Athens may seek an ally in the European Parliament to undermine the position of the Troika, which imposed and monitored the structural reforms in the country.

Concerning technical matters, it is expected that the Greek presidency will strongly rely on the support of the Council's General Secretariat.

For Poland, it is crucial to keep close relations with any EU country holding the rotating presidency. Despite the countries' geographic distance and different economic situations, it is possible to find many points in common in the presidency programme. An emphasis on cohesion, deepening the single market, and growth-enhancing polices or the prevention of money laundering and cutting terrorist financing can be supported by Warsaw. However, Poland should put strong emphasis on the need for growth-oriented policies, and especially structural reforms, to be first implemented at home, not in Brussels, in order for there to be success.

The upcoming three months will be marked by negotiations on the second pillar of the banking union. Although the Greek presidency is not expected to play more than technical role, Athens' emphasis on solidarity with all of the EU members and a level playing field can be useful to Poland to some extent. The campaigns for European Parliament and subsequent fight for the top EU jobs should not distract the attention of the political leaders in Warsaw from the important processes in Brussels taking place at the end of the current political cycle and the beginning of the next parliament's term of office.