Syriza Party Wins In Greece As Analogies Drawn To Argentina

By Mark Melin **January 26, 2015**

The left leaning Syriza party, which made a wide range of promises in its political campaign, many of which are diametrically opposed to one another. At primary issue is a promise from Syriza leader Alexis Tsipras to remain a part of the euro currency and stop payments on crippling government debt at the same time. Tsipras had promised increased government spending until the economy is stronger, funded by cuts in payments to foreign investors, many in Western Europe. Less public talk has centered on Greece asking investors to take a "haircut," or forgiving debt, that the country simply cannot afford to pay without cutting government services and taxing residents.

Debt Default Talk Stopped Dead In Its Track, But Does It Matter To Syriza?

This talk appeared to be stopped dead in its tracks by EU officials, who appear open to extending maturities on government debt but opposition to debt forgiveness "remains unchanged," said Wolfgang Schäuble, the German finance minister. "We will not forgive loans but we are ready to discuss extending the bailout programme or maturities," Alexander Stubb, the Finnish prime minister, was quoted as saying. Syriza's large margin of victory is likely to indicate a tough negotiating line with Greece's Eurozone finance partners and European bond investors, according to a report written by Nomura Holdings, Inc. (ADR) (NYSE:NMR) (TYO:8604)'s Dimitris Drakopoulos and Lefteris Farmakis and reviewed by ValueWalk.

Other analysts expect debt negotiations to drag out longer than expected and involve bold negotiation tactics. "Once a government is up and running, we expect this negotiation to be tough and possibly longer than markets expect," said Morgan Stanley (NYSE:MS) European Analyst Daniele Antonucci in a report. "A resolution and the incentive to compromise, may only come after significant brinkmanship." UBS AG (NYSE:UBS) analysis, for its part, notes how far apart the economic programs being proposed by SYRIZA and the austerity programs mandated Troika are, setting up a confrontation. "Talks are going to be scrutinized by both creditor and past/current bail-out countries, as a too-lenient compromise towards Greece or a harsh solution (break-up of talks and potential Greek exit) could have serious repercussions for Europe," Economist Gyorgy Kovacs wrote.

Greece Debt Negotiations Share Commonality With Argentina

As a certain degree of uncertainty over debt negotiations takes place, those advocating for a formal Global debt negotiation and bankruptcy process note similarities between Greece and Argentina. "Argentina and Greece are flip sides of the same coin," Eric LeCompte Jubilee USA Network Executive Director, said in an interview with ValueWalk. As previously reported in ValueWalk, LeCompte had previously predicted government debt negotiations, such as that which occurred over the summer with Argentina, would continue to be unpredictable unless a formal process was adopted.

"Greece's debt crisis also motivated the United Nations to vote for the international bankruptcy process and encouraged the IMF to write three papers on preventing another Greece," LeCompte said in the interview. "Unfortunately there are too many examples right now beyond Greece and Argentina, there's Grenada, Iceland, El Salvador and too many to name that need to restructure or default. Its a global problem and can only be solved with a global solution."

Financial markets apparently didn't consider the issue to be a top concern as broad stock indexes across Europe and in the U.S. were largely shrugged off except in Greece. Stocks in Athens were down 3.6 percent on the day.