

CHAPTER V

CONCLUSION

Greece became the first member of European Union which faced the crisis. The crisis gave the domino effect to the other member countries such as Spain, Portugal, Ireland, and Italy. Dealing with the worst economic condition comparing with the other European Union members, Greece crisis became a serious concern of European Union. Greece debt crisis was marked with the downgraded of credit rating by Fitch. Greece financial problem actually began before Greece integration within European Union.

The integration of Greece toward European Union was through complex way. Greece decided to apply for the full membership to EEC in July 1975 and successfully became the tenth member of the European Economic Community later as European Union in 1981 after the collapse of the dictatorship regime.

The effort of Greece toward the integration of European Union was not yet over after the accession of Greece within the European Community. During 1985-1995 was the unexpected time because European Union tightened the integration rules in every sector and the expansion of *acquis communautaire* namely Schengen Treaty (1985), Single European Act (1987), and Maastricht Treaty (1992). Unfortunately, Greece became the only country which could not fulfill the requirement according to Maastricht Treaty. However, the inflation, budget deficit,

debt, and high interest rates along that time made Greece unable to join the European Union as full membership. It triggered Greece for being part of the member by various austerity programs which gave significant result. In 2001, Greece finally could fulfill the requirement by inflation 2.1%, and budget deficit for 1.7% of the GDP or under 3% from the Maastricht criteria.

All the rough and long integration effort by Greece was paid for after the approval on joining as the full membership on European Union implementing the single monetary system. In the beginning of 2002, Greece changed their currency from Drachma into Euro. European Union showed the abilities creating modernization in form of political stability and realizing democracy, changing state society relation and creating modern civil society.

The Greece integration within European Union gave impact to the economy system. First, the state reduced economic activities. Second, the Greek economy regulatory pattern from protectionist policy into the European one, conformed with Europeans regulation practices. Greece actually had interesting investment power, however the crisis which happened triggered investor distrust toward the financial sector. The global financial crisis that happened worsened the Greece economic condition beside some internal factors such as widespread of corruption, inefficient administration and not motivated employees, and continuous fight with public deficit.

The consequences of Greece financial crisis influenced the stability of the global financial system, European Union, and Greece condition as well. The Greece crisis triggered the great recession, structural weaknesses in the Greece

economy, banks closure, and sudden crisis in confidence among lenders. It also made Greece suffered from the worst GDP, the significantly increasing of the unemployment, shuttering shops and the bankrupt of the companies as the impact of mass money withdrawal.

Greece sovereign debt crisis was the worst economy crisis among the European Union members which triggered the Eurozone crisis. Greece crisis contributed to the other European Union members as the domino effect such as Spain, Portugal, Ireland, and Cyprus.

The economy crisis of Greece gave impacts to the global financial system especially on the export stability, banks and investors bond with the Greece. The global stocks market was shaken. Many states which had trade cooperation automatically got the influence of the crisis. They lost the amount of the exports. Banks and investors bond with Greece were harmed and they decided to cut off the cooperation.

The Greece crisis which happened gave influence to political stability through the complicated swinging of political party and ideology. The society which felt the crisis impact was susceptible had chaos and conflict because of the untrust toward the government. The crisis affected the lack of democracy on finding the crisis solution and made some parties worried about the future of Greece.

Dealing with the worsening crisis and preventing the spreading crisis, European Union initiated to relieve Greece debt crisis by the Troika establishment. The establishment of Troika was as an aspiration from the member

states because of the lack of governance framework for monitoring and negotiating the adjustment programs. Troika was the key of Greece crisis resolution. Ensuring the maximum efficiency and coherent on the policies to put the economic stability to the sustainable economy was the aim of the cooperation between IMF, ECB, and European Commission. There were three main roles of Troika toward Greece which were giving financial assistance and stability, coordinating the surveillance and policies, and reforming to foster growth and competitiveness to the country which faced severe economic problem to get better economic condition.

The emergency of the Greece condition led the government as well as the European Union to find solutions for avoiding the collapse. In 2010, government and Troika reached an agreement to received bailout by implementing the Structural Adjustment Programs. The bailout which Greece received was as three-years aid programme. Greece had received bailout twice on 2010 and 2012.

The first Troika bailout was received on May 2010 for about €110 billion (\$145 billion). The bailout was divided into two term; those were €80 billion and €30 billion. The second financing programme term agreed in March 2012 for about €172.6 billion. Just like the first financing programme, it was divided into two term. The distribution of financing programme was about €144.6 billion for the first term from the EFSF, and the second term was €28 billion from the EFF.

The Greece had to repay the bailout package in the particular time through some measurements program since the country was in need to do it for recovering the economic problem. There were several structural adjustment programmes well

known as austerity measures which had to be done by Greece namely increasing tax and new tax policies for all people, merging pension funds and retirement age restriction, cutting employee wage, reducing pension funds, eliminating of bonuses and holiday allowance, reducing social funding and benefits of solidarity, increasing massive lay-off, cutting education subsidies, reducing remote areas subsidies, reducing family allowances and health, and increasing extra working duration time.

However, the policies made by Troika did not give significant development toward the crisis on GDP growth rate, unemployment, and sustainable competitiveness. The austerity measures triggered the GDP growth rate, the companies bankruptcy, and the rose of unemployment. Many people lived in poverty. The government had to privatize the government assets to survive from the debt and restructure the amount of the employee. Aside from the economic growth, austerity measures gave influence to the political stability of Greece. The sustainable economic recession of Greece created the distrust from the people toward the government. The electoral politics significantly changed after the austerity policies.

The society developed the protest mobilization for anti austerity movement as the result of Troika failure for healing the crisis. The anti austerity mobilization happened during 2010 until 2015. There were three main anti austerity mobilization waves. The actions taken by the anti austerity movement were in form of demonstrations, suicides, police violence, assassinations, civil disobedience, rioting, occupations, sit-ins, and strike actions. The first anti

austerity protest wave rose in 2010 after receiving first bailout package. The second wave of anti austerity mobilization happened in 2011. The third mobilization was in 2012. The protest mobilization which was from 2012-2015 involved political party activities toward the general election. The society expressed their regret through different significant election results.

The parliament election held in June 2012 gave the society a new opportunity to defend their voice to reject the austerity package. Thus, in electoral politics held in June 2012 gave shocking vote result. The reigning leading party at that time which was PASOK got significantly decreasing votes while the minor opposition party which was SYRIZA with their radical left-wing ideology got significantly increasing votes to get the chairs on parliament.

The Greece parliament election in 2015 was a turning point of the country. The radical left party SYRIZA won the election to get the parliament and became the first radical left wing party who won the election. SYRIZA got 149 positions of 300 in parliament. The 2015 election gave a result to Alexis Tsipras as the new Greece prime minister from the radical left wing SYRIZA party with platform rejecting the bailout package and wiping out the austerity measures without going out of the European Union. With the prime minister and parliament from the same party, it would be easy to create the decision or policy toward the future of Greek crisis.

Under Tsipras's era, Tsipras had negotiation with the creditors proposing new agreement with light policies to replace the previous adjustment programmes. After the failing to create the new agreement with Troika, on June 27th 2015,

Prime Minister Alexis Tsipras announced to hold referendum whether receiving or rejecting the third Troika bailout. It was as the strategy from Tsipras to make the creditors give up to give the assistance with light policies.

In the referendum day, for about 10,000 referendum voting cards were spread all around Greece. The result of July 5th 2015 referendum was “OXI” or “no” for third Troika bailout package. The result showed that the society highly demanded to reject the third Troika bailout 2015. The rise of SYRIZA party as the ruling party in both executive and legislative area helped the society to reach their demand. Thus, Prime Minister Alexis Tsipras announced to reject receiving third Troika bailout 2015. Alexis Tsipras urged with have immediate negotiation to the creditors to find the economic solution.