CHAPTER III
INTERNAL AND EXTERNAL FACTORS THAT LEAD TO GREEK'S BANKRUPTCY

In this chapter,I would like to mention also give evidences coincide with data about the greece bankruptcy (2010-2015), an alaysis. This data will analyze the Internal factor such as National budget management inefficiently, Excessive Millitary Expanditure,corrution and Eksternal factor such as Eurozone and Global financial crisis,High interest rate of foreign loan, the lack of Foreign investment is several that lead greece to bankruptcy

A. Internal Factors

1. National Budget Management Inefficiency

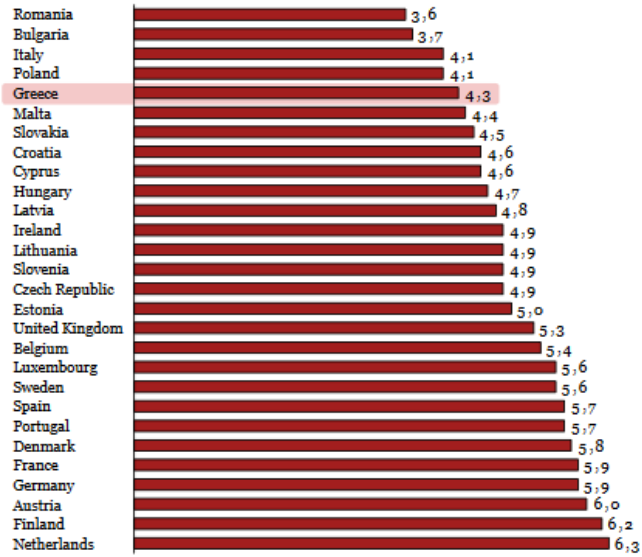
Infrastructure development is indeed a very important and vital aspect for a country to accelerate the process of national growth. Infrastructure also plays very crucial role as one of the most important economic wheel, recalling that a country's economic growth is inseparable from the availability of infrastructure like transportation, telecommunication, sanitation, and energy. It is important to realize that the infrastructure development must be in line with the economic condition of the country. If a country lacks of infrastructure availability, then the economic growth will be suspended. However, if the infrastructure development is too excessive compared to the economic capability of the country, then the decision may be able to boomerang the government's budget.

According to PwC (PricewaterhouseCoopers), the second largest accounting firm in the world, taken from the data of World Economic Forum's Global Competitiveness Report 2015-2016, Greece is ranked 24th among the EU countries in terms of quality of

infrastructure, demonstrating a systematic quality deficit (see figure 3.1) (PWC, 2016). The quality of infrastructure of Greece is substantially inferior to Western and Northern European countries. It shows that Greece's infrastructure is the worst in Europe after Italy, Poland, Bulgaria, and Romania.

	Quality of infrastructure (Ranking)					
	Countries	Motorway	Rail	Ports	Air Transport	Electricity Supply
1	The Netherlands	1	4	1	1	3
2	Finland	5	2	2	2	1
3	Austria	3	5	21	11	3
4	France	3	2	9	4	7
5	Germany	7	5	7	3	9
6	Denmark	7	9	4	8	1
7	Spain	5	1	5	3	11
8	Portugal	1	13	9	8	14
9	Luxemburg	7	6	16	11	3
10	Sweden	10	14	7	8	7
11	Belgium	13	7	3	4	11
12	United Kingdom	12	8	5	4	3
13	Estonia	17	18	8	25	18
14	Ireland	11	15	9	4	9
15	Lithuania	14	12	15	22	18
16	Slovenia	16	20	14	19	14
17	Czech Republic	21	11	24	11	9
18	Latvia	25	15	12	11	18
19	Hungary	20	19	25	20	17
20	Croatia	7	25	18	20	18
21	Cyprus	14	N/A	19	17	23
22	Slovakia	21	9	27	27	11
23	Malta	24	N/A	12	15	25
24	Greece	19	23	17	16	24
25	Italy	18	15	20	18	16
26	Poland	23	21	21	22	22
27	Bulgaria	25	21	23	22	27
28	Romania	27	23	25	26	25

Figure 3.1. Greece's Quality of Infrastructure (Ranking)



Source: https://www.statista.com/statistics/275335/government-revenue-and-spending-in-greece/

The data above show that Greece's infrastructure quality is inferior to other European countries. Greece realized that infrastructure development is really important to boost their economic condition. However, spending tons of national budgets without well-prepared strategic planning is not a wise decision as well. It is very crucial to well understand how to spend the budgets effectively and efficiently. Determining what, why, and where infrastructure will be built is important to keep the spending efficient and effective.

However, Greece's decision to develop its infrastructure seems to be unrealistic considering their

economic capability. Greece used a huge number of its budget for infrastructure development while it was not capable to produce a comparable feedback to its GDP. Data shows that Greece has failed to manage its spending ineffectively and inefficiently, as seen that Greece spent more expenditures than its revenue (Statista, 2017) (see figure 3.2)

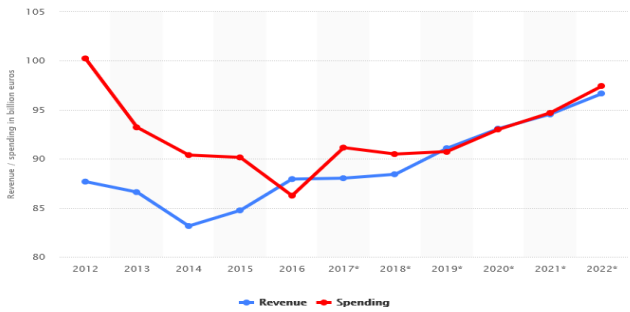


Figure 3.2.
Greece's Revenue and Spending 2012 - 2016 and Its Projection Until 2022

https://www.statista.com/statistics/275335/government-revenue-and-spending-in-greece/

From the data shown above, it can be seen that Greece spent a lot of its national budgets while the revenue was not even capable to cover for the spent budgets. As a result, Greece faced deficit situation every year since 2010 and the country had even more debts each year. Greece's decision to build the infrastructures was not strategically planned. Instead, most of them were executed merely because of the government's ambition, not demand or needs(UI, 2017).

The reckless decision of Greece government in spending the national budgets ineffectively can be proved from the decreasing GDP per-capita of Greece in 2011-2015 as can be seen in the table below(Focus Economic, 2016) (see table 3.1).

Table 3.1. Greece's GDP per-capita in 2010 – 2015

GDP per-capita (EUR)	2011	2012	2013	2014	2015
	18,613	17,190	16,306	16,152	16,028

Source: http://www.focus-economics.com/country-indicator/greece/gdp-per-capita-EUR

From the table above, it can be seen that Greece's GDP had been decreasing each year. It shows that Greece's incapability in handling its economic spending plays very prominent role towards Greece's bankruptcy. Furthermore, the table above also shows that the people of Greece were also incapable in supporting their individual income which also affected the national GDP condition.

The data above shows just how important infrastructure development spending strategy is towards the economic sustainability of Greece. However, the government of Greece failed to spend the infrastructure budget effectively and efficiently, which contributed to the collapse of Greece economy.

2. Excessive Military Expenditure

Military is also one of the most important elements to a sovereign state. If a nation wants to project itself as a developed and strong nation, military power is an inevitable consideration. If a country does

not develop its military power and protect itself, it is likely to fall victim to a bullying rogue nation, greatly demonstrated during the Second World War when Denmark, Norway, Belgium and the Netherlands fell victim to Hitler even after declaring their neutrality (History.com, 2009). Another example is India. India did not have military and it resulted in the loss from China's attack in 1962. But today, India's defense is very strong and China will be less likely to attack India again. If a nation's military is strong, it has less possibility to be attacked by another country or terrorist organization. A strong nation is also more likely to become an interesting major trade partner for many countries.

However, those miss fortunates happened during decades ago when nations were still fighting each other. Today, the world is much more peaceful than before. Thus, is military still relevant for the world's situation today? Yes, it is. The importance of military is primarily the same as it has always been. Military power is important to protect the citizens and continue to fight for and maintain the freedom of a nation. Although most of the nations in the world no longer fight another country's invasion, terrorist attacks commonly occur in the world today, especially in Europe and America. It is important to have strong military power in order to maintain the peace and protect the citizens.

But, it is also important to realize that military power is not the only thing that a nation should concern about. There are a lot of aspects that a country must consider, especially when determining how the national budget is going to be spent. Infrastructure, healthcare, education, and many other aspects are not less important than military strength. Therefore, the

national budget spending must be divided according to the priorities of the nation in facing its problems and challenges.

Greece, in this case, had been suffering from economic crisis. Still, despite Greece's staggering economic problems, the country has still consistently maintained one of the highest defense expenditures as a percentage of GDP in all of Europe. The table below shows the number of national budget spent for military expenditure (see figure 3.3). (NATO, 2016)

Country	2009	2010	2011	2012	2013	2014	2015
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
				As a percentage of gross domestic product			
Albania	1.52	1.56	1.53	1.49	1.41	1.34	1.16
Belgium	1.16	1.08	1.05	1.05	1.01	0.97	0.91
Bulgaria *	1.75	1.67	1.33	1.35	1.46	1.32	1.29
Croatia	1.62	1.54	1.60	1.53	1.47	1.41	1.37
Czech Republic	1.52	1.29	1.07	1.06	1.03	0.96	1.06
Denmark	1.34	1.41	1.30	1.34	1.23	1.16	1.14
Estonia	1.80	1.70	1.68	1.89	1.90	1.94	2.07
France	2.02	1.96	1.87	1.87	1.96	1.84	1.80
Germany	1.39	1.35	1.28	1.31	1.23	1.19	1.19
Greece	3.08	2.64	2.38	2.29	2.22	2.22	2.38
Hungary	1.14	1.04	1.05	1.04	0.95	0.87	0.94
Italy	1.42	1.35	1.30	1.24	1.20	1.09	1.02
Latvia	1.21	1.06	1.02	0.89	0.93	0.94	1.04
Lithuania	1.07	0.88	0.79	0.76	0.76	0.88	1.14
Luxembourg	0.40	0.47	0.39	0.38	0.38	0.39	0.43
Netherlands	1.42	1.34	1.25	1.23	1.16	1.15	1.16
Norway	1.54	1.52	1.51	1.47	1.48	1.51	1.47
Poland	1.71	1.77	1.72	1.74	1.72	1.85	2.23
Portugal	1.53	1.49	1.49	1.41	1.44	1.30	1.32
Romania	1.33	1.24	1.28	1.22	1.28	1.35	1.45
Slovak Republic	1.52	1.27	1.09	1.10	0.99	0.99	1.14
Slovenia	1.59	1.61	1.30	1.18	1.06	0.98	0.94
Spain	1.13	1.03	0.94	1.04	0.92	0.91	0.92
Turkey	2.06	1.93	1.76	1.76	1.75	1.70	1.67
United Kingdom	2.51	2.51	2.42	2.20	2.30	2.20	2.09
NATO - Europe	***1.70***	***1.64***	***1.56***	***1.53***	***1.51***	***1.46***	***1.45***
Canada	1.39	1.16	1.23	1.10	0.99	1.02	0.98
United States	5.29	4.81	4.77	4.42	4.09	3.78	3.59
North America	***4.91***	***4.46***	***4.42***	***4.09***	***3.78***	***3.51***	***3.33***
NATO - Total	***3.30***	***3.04***	***2.98***	***2.82***	***2.66***	***2.50***	***2.41***

Figure 3.3 NATO Members' Military Expenditure (in US Dollars)

Source:https://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2016_07/20160704_160704-pr2016-116.pdf

The table above is taken from NATO press release showing the defense expenditure of its member

states in million US dollars. It can be seen from the table that Greece.

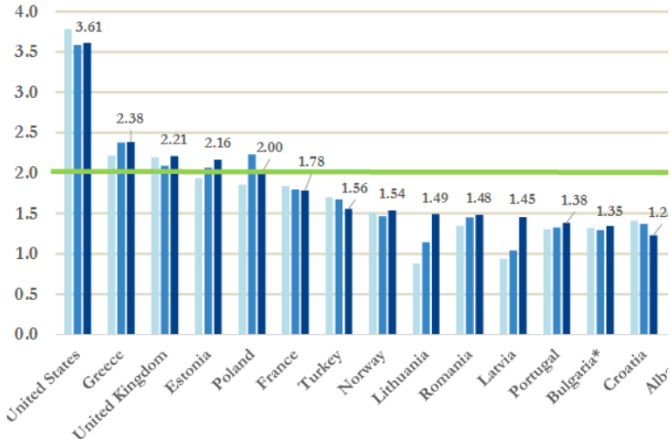
Does not spend a lot of its national budgets compared to the other countries. However, it should not be seen from how much money that it spent for military in nominal number because each counties' economic capability is different to each other. A more economically-developed country spends more money for military strength because they have more money than the less-developed countries. Therefore, the military expenditures should be seen from how much it took from the GDP of the country.

Country	2009	2010	2011	2012	2013	2014	2015
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Current prices and exchange rates				
Albania	183	186	197	183	180	178	132
Belgium	5,623	5,245	5,500	5,169	5,264	5,184	4,218
Bulgaria *	905	832	758	722	811	747	633
Croatia	1,014	920	996	865	850	805	669
Czech Republic	3,129	2,660	2,437	2,185	2,148	1,975	1,921
Denmark	4,337	4,504	4,518	4,423	4,216	4,056	3,364
Estonia	353	332	389	437	480	513	469
France	54,442	51,971	53,441	50,245	52,317	52,006	43,473
Germany	47,469	46,255	48,140	46,470	45,932	46,102	39,813
Greece	10,156	7,902	6,858	5,633	5,310	5,226	4,647
Hungary	1,476	1,351	1,472	1,322	1,280	1,210	1,131
Italy	30,486	28,656	30,223	26,468	26,658	24,448	19,566
Latvia	316	251	289	248	281	293	281
Lithuania	402	326	345	324	355	427	471
Luxembourg	202	248	232	214	234	253	249
Netherlands	12,131	11,220	11,339	10,365	10,226	10,332	8,873
Norway	6,196	6,499	7,232	7,143	7,407	7,336	5,815
Poland	7,475	8,493	9,106	8,710	9,007	10,104	10,596
Portugal	3,740	3,540	3,652	3,040	3,262	3,003	2,635
Romania	2,225	2,086	2,380	2,100	2,452	2,692	2,580
Slovak Republic	1,350	1,138	1,065	1,020	968	997	986
Slovenia	799	772	666	543	507	486	401
Spain	16,943	14,743	13,984	13,912	12,607	12,614	11,090
Turkey	12,647	14,134	13,616	13,895	14,427	13,583	12,018
United Kingdom	58,240	60,329	62,852	58,016	62,263	65,690	59,634
NATO - Europe	***282,240***	***274,592***	***281,686***	***263,654***	***269,441***	***270,261***	***235,668***
Canada	19,095	18,690	22,040	19,994	18,221	18,150	15,191
United States	757,466	720,423	740,744	712,947	680,856	653,942	641,253
North America	***776,561***	***739,113***	***762,784***	***732,941***	***699,077***	***672,092***	***656,444***
NATO - Total	***1,058,802***	***1,013,705***	***1,044,470***	***996,595***	***968,518***	***942,353***	***892,112***

Figure 3.4. NATO Members' Military Expenditures (in GDP percentage)

Table 3.3. above shows the military expenditures of NATO members according to the percentage of its GDP (NATO, 2016).

Greece spent 2 until 3 percent of its GDP for military expenditures while the rest of NATO members mostly spent 1 percent. This explains that Greece is the country that spent the national budget for military expenditures the most after the United States of America among NATO members. The chart below will simplify the GDP percentage explanation among NATO's highest defense spending countries of its GDP(Keep Talking Greece, 2016) (see figure 3.5).



Source :
http://www.keeptalkinggreece.com/2016/07/04/greece-has-second-highest-defense-spending-in-nato-after-usa/

From the data shown above in Figure 3.3, it can be seen that although Greece was facing economic crisis, it has been consistently spending a lot of its national budget for military expenses. Moreover, Greece is the second highest after the United States of America in military expenses according to the percentage of the country's GDP. The national budget could have been utilized for several more important elements in order to countermeasure the economic crisis that it has been facing. However, Greece did not decide to do that and maintained the military expenses.

One of the reasons, in terms of military expenditure, that lead Greece into the economic crisis is the decision to provide high-pay for military personnel. Only six other NATO countries have military personnel cost higher than Greece's. 73.3% of Greece's military budget is spent for the military personnel. Second, Greece spent a lot of money in military expenditure because of its distrust towards the bordering countries, especially Turkey. Greece and Turkey are both the members of NATO, however, Greece still has trust issues for Turkey since the Turkish Invasion of Cyprus four decades ago (Business Insider, 2015).

This military spending is excessive and reckless if it is seen from the economic crisis that it was facing at the time. The national budgets could have been utilized for other priorities that could countermeasure the economic crisis. However, Greece persistently maintained the military spending, especially for the military personnel's budget, despite of spending the national budget effectively and efficiently for other aspects that should have been prioritized.

3. Corruption

Generally speaking, corruption is defined as “the abuse of entrusted power for private gain”. Corruption can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs. Grand corruption consists of acts committed at a high level of government that distort policies or the central functioning of the state, enabling leaders to benefit at the expense of the public good. Petty corruption refers to everyday abuse of entrusted power by low- and mid-level public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services in places like hospitals, schools, police departments and other agencies.

Political corruption is a manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status and wealth.Corruption impacts societies in a multitude of ways. In the worst cases, it costs lives. Short of this, it costs people their freedom, health or money. The cost of corruption can be divided into four main categories: political, economic, social and environmental.

On the political front, corruption is a major obstacle to democracy and the rule of law. In a democratic system, offices and institutions lose their legitimacy when they’re misused for private advantage. This is harmful in established democracies, but even more so in newly emerging ones. It is extremely challenging to develop accountable political leadership in a corrupt climate.

Economically, corruption depletes national wealth. Corrupt politicians invest scarce public

resources in projects that will line their pockets rather than benefit communities, and prioritise high-profile projects such as dams, power plants, pipelines and refineries over less spectacular but more urgent infrastructure projects such as schools, hospitals and roads. Corruption also hinders the development of fair market structures and distorts competition, which in turn deters investment.

Corruption corrodes the social fabric of society. It undermines people's trust in the political system, in its institutions and its leadership. A distrustful or apathetic public can then become yet another hurdle to challenging corruption.Environmental degradation is another consequence of corrupt systems. The lack of, or non-enforcement of, environmental regulations and legislation means that precious natural resources are carelessly exploited, and entire ecological systems are ravaged. From mining, to logging, to carbon offsets, companies across the globe continue to pay bribes in return for unrestricted destruction.

Based on the definition of corruption and its impact that it causes, corruption can be categorized as a very bad thing. Corruption can also become a time-bomb for institutions and countries that practice that misadventure. In Greece, corruption is one of the main reasons that cause the degradation of the nation’s economy. The practice of corruption within Greece’s bureaucracy is one of the most common challenges of the country.

In Greece, there is term called “*fakelaki*” which literally means small envelope. This term refers to the common habit of the people to give a small envelope that contains money in it to the government’s officials for handling administration stuffs like business permit making by the government. The running process of

businesses depends on the number of money contained within the small envelope.

Corruption in Greece causes almost 30% loss from the national income by tax or approximately 20 billion USD each year. Even worse, the government of Greece legalizes the custom practice of "*fakelaki*" in 2013 as they argued that giving some "thank you" money is not a law violation. These two things are very controversial to do, especially to be practiced in a country which is in the middle of economic crisis like Greece.

The chart below shows the high rate of corruption occurring in Greece.

Figure 3.6 Greece's Corruption Index

Source: www.tradingeconomics.com

The rate of corruption in Greece decreased drastically in 2010 where it reached only 34% and met its lowest rate by 34% in 2012. This is because of the strict regulation of the European Union that forced EU countries to utilize the bailout fund as efficient and effective as possible in order to countermeasure the

economic crisis. However unfortunately, it did not last long. The corruption rate jumped into 43% by 2014, almost as high as when the crisis had not happened in Greece.

B. External Factors

1. Eurozone and Global Financial Crisis

Greece is one of the countries that are included in the European Union in which applies the policy to use a common financial currency, Euro. The joining of Greece as a member of the Eurozone makes it to use the Euro as the national money currency as well. Before Greece was part of the Eurozone, Greece's government had been very extravagant in spending its national budget. Greece was not mentally and financially ready to use Euro as the currency, yet Greece joined and the European Union let it happened. Greece's unpreparedness made them cannot catch up to the other European countries which have higher GDP than Greece.

It is also partly the mistake of the European Union for letting Greece to enter the Eurozone on the firsthand. German Chancellor, Angela Merkel, said that Greece should not have been allowed to join the Eurozone. Because ever since Greece adopted Euro in 2001, the public spending and borrowing soared so high, leaving the country unable to survive when global financial crisis hit them (CNN, 2013).

The Greek financial crisis was a series of debt crises that started with the global financial crisis of 2008 and continued with EU financial crisis in the end of 2009 (Assoc. Prof. Dr. Serdar Ozturk, 2014). In 2007, the financial crisis that started in the US quickly gained a global dimension by influencing many developed and developing countries. The effects of the

crisis were particularly more profound and destructive in some countries. Greece is also among these countries. In fact, it will be more accurate to describe the situation in Greece as triggered by the crisis not directly resulted from the crisis as deterioration in the economy and financial structure of the Greece had started long before the crisis. So, it can be argued that the situation became more apparent with the crisis.

It is seen that the financial crisis significantly increased public debts of many developed countries since the mid 2008. Thus, it can be said that the crisis turned into a serious debt crisis particularly in European the crisis has broughtmany uncertainties about the future of Euro. The interesting point with regard to the problems faced in this process for European Union countries is the infirmity in the financial policies.

As a country that joined in the European Union, Greece actually only give a minor contribution to the EU total GDP, which is only 2.6%. Unfortunately, although Greece was not a significant economy contributor within the European Union, the domino effect of financial crisis most severely was experienced by Greece (S, 2011). This happened since the members of European Union are required to share the same single currency, a Euro Poundsterling.

The global financial crisis was stipulating the European country to work extra hard on its debt payment which also led to their currency devaluation. Hence, these countries were having trouble paying off their debts. If they fail to pay their debts, there will be many debtors, who will suffer huge losses. Loss of the creditor, especially the banks and other financial institutions, will spread to other parties. Interrelationships between various banks and financial

institutions will have an impact on the widespread impact of the financial crisis. The devaluation of currency also affected all the member of European Union, including Greece. As a small country which has no strong economy grip and have low national GDP, this phenomenon strike really hard resulting in a economy chaos within the country. Their fiscal deficit soared while their currency devalued. It was already hard for them to cope with their fiscal problem yet, because of the domino effect on the global financial crises, the condition became worsened.

Greece eventually became the center of Europe's debt crisis with global financial markets still reeling, Greece announced in October 2009 that it had been understating its deficit figures for years, raising alarms about the soundness of Greek finances. As the result, Greece was shut out from borrowing in the financial markets. By the spring of 2010, it was veering toward bankruptcy, which threatened to set off a new financial crisis.

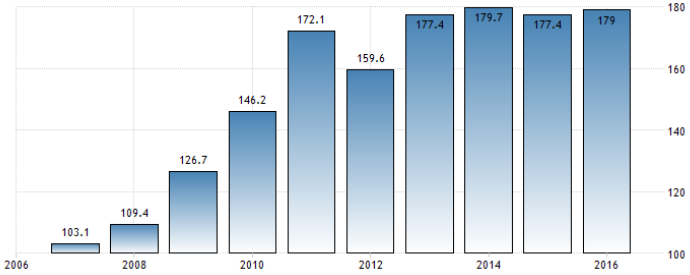
To avert calamity, the so-called troika — the International Monetary Fund, the European Central Bank and the European Commission — issued the first of two international bailouts for Greece, which would eventually total more than €240 billion. However, the bailouts came with conditions. Lenders imposed harsh austerity terms, requiring deep budget cuts and steep tax increases. They also required Greece to overhaul its economy by streamlining the government, ending tax evasion and making Greece an easier place to do business.The money was supposed to buy Greece time to stabilize its finances and quell market fears that the euro union itself could break up. While it has helped, Greece's economic problems have not gone away. The economy has shrunk by a quarter in five years, and

unemployment is about 25 percent.The bailout money mainly goes toward paying off Greece's international loans, rather than making its way into the economy. And the government still has a staggering debt load that it cannot begin to pay down unless a recovery takes hold.

2. **High Interest Rate of Foreign Loans**

One of the most influential external factors that lead Greece into bankruptcy is the incident of Greek Debt Crisis. The Greek Debt Crisis refers to the dangerous amount of debts that Greek government owes to other countries and institutions. In order to boost economic growth, a country needs money to run its programs. Sometimes, the economy of a certain country is not always sufficient to support every single program that has been planned by the government. In this case, having foreign investment is very important. However, one must be very careful in using the foreign investment money since it must be repaid.

Figure 3.7 Greece's Debt to GDP 2006 – 2016



Source : https://tradingeconomics.com/greece/government-debt-to-gdp

Data records a government debt equivalent to 146.2 percent in 2010 and 177.4 percent in 2015 of the Gross Domestic Product of the country. It means that the Greece has always been owing money from other countries and institutions by 150% of its GDP in average. In short, Greece has been spending more money than producing. (Economics, 2017)**.**

The European Commission and IMF gave bailout fund for Greece in order to countermeasure the economic crisis that Greece has been facing. However, this loan did not make Greece to become more productive. Instead, the people of Greece kept becoming consumptive and the economy kept decreasing because of its independence to the foreign loans. As briefly mentioned before, the IMF had given monetary bailout to Greece, however the fund given to the country was used to pay the country's international loans instead of strengthening its internal economy. The choice was to paid the debt as soon as possible or Greece will bump with higher interest rate from the creditor.

For many years, Greece managed to contract debts with low interest rates by playing on basic economic indicators. However, when the process before the crisis is taken into consideration, it is seen that the rate of Greece debts to its GDP is one of the highest in Europe(BBC, 2015). This rate particularly increased after 2000 and surpassed 160% and far beyond Maastricht criterion (60% of GDP). Moreover, Greece imports more than it exports; in other words, it consumes more than it produces. To solve the problems in Greece in a short time, there is a need for a structural reform about the sustainability, competitiveness and transparency of economy. This must not only be a change in economy but also in

politics and society, and this change must be supported.

Furthermore, European Union and IMF applied very high interest for the loan. While these institutions applied the international loan interest by 3% to Germany, the interest for Greece is 3 times higher, which was 9%. This difference decision of loan interest rate was caused by the fear of the investors toward the capability of Greece in repaying the debts (VOA Indonesia, 2010). In 2015, Greece paid very high interest return to IMF by 186,3 million Euro (203,6 million USD). That very high amount of money was only paid for the interest; let alone paying for the original debts. By 2015, Greece's debt mountain reached 320 billion Euros (Antara News, 2015).

This large amount of foreign debt is very risky realizing the decreasing GDP of Greece. However, the loans did not seem to result in significant positive changes to the national economy, as seen from the decreasing GDP chart. Furthermore, European Union and the IMF were not kind enough to apply the same number of loan's interest rate toward Greece, by applying three times bigger interest rate compared to Germany. These circumstances contributed a lot to the bankruptcy of Greece.

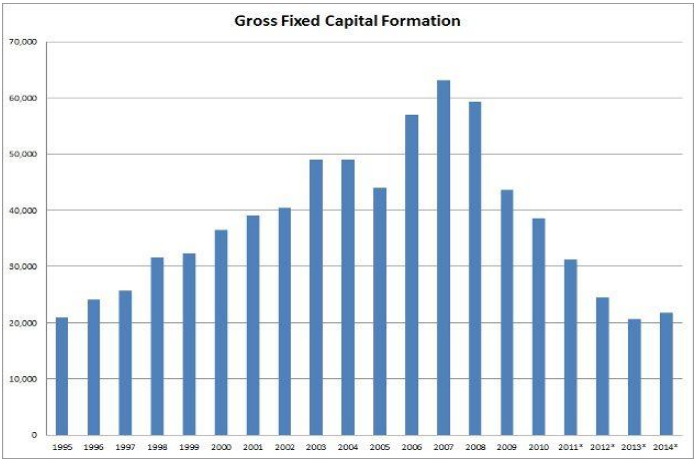
3. The Lack of Investment

In order to improve the economy of a country, investment from other countries is very necessary. However, if a country is considered bad in its status as an investment recipient, then investors will be less likely to invest the money in that country. This case happened to Greece. Several infamous multinational companies gave bad score for Greece in terms of investment potential. The three countries were Moody's, Filch, and Standards & Poors. These

companies move in global economy statistic such as state's debt, market stock value, international stock, and so on.

Since 2009, these companies have assessed that Greece was not capable to repay its debts and considered it as an economically unstable country. That assessment made investors to be afraid in investing money in Greece. That assessment also made a lot of companies to close the business in Greece. As a result, the economy of Greece decreased and the unemployment rate increased.

Figure 3.8 Investment Flow to Greece



Source : https://www.ceicdata.com/en/indicator/greece/data/foreign-direct-investment-flow