

CHAPTER IV CONCLUSION

Greece joined into European Union and obtain associate member status on 1962 and full membership in 1981 After joining the membership of EU, Greece have to face difficulty in competing with industrial market within the North Europe which more developed and sustained. As the consequences, they experience a drop on its GNP per capita from 58% to 52% on 1991 .Between 1980-1990s, Greece was greatly indebted to EU regarding its financial deficit. Hence, on February 7th, 1992 a *Maastricht Treaty* (European Union Agreement) held in stating that Greece is the only legal member of European Union which could not fulfill the whole requirements.

In the late 2009, international investors, spooked by the revelation that Greece's previously announced debt and deficit figures were inaccurate, became worried about the country's ability to pay its debts. Greece's credit rating was downgraded, first by Fitch and then by Moody's. The country's cost of borrowing spiked, and the situation risked running out of control. So the other eurozone countries, in the form of the so-called troika -- the European Commission, European Central Bank and International Monetary Fund -- stepped in to prop up the patient.

On early 2010, Greek population told to accept lower bonuses and higher taxes or risk bankruptcy. (Smith, 2010) In the following days, Papandreou asks Obama for help. He asked Obama to impose stricter regulations on hedge funds and currency traders, who they blame for aggravating their problems and making it harder for Greece to borrow money .(Wearden, Greek PM to urge Barack Obama, 2010). In the same year finally Greece admits that it may need help from International Monetary Fund, and S&P downgrade Greek credit rating to junk status.

According to the conventional theory, there are some factors that can affecting economic sustainability includes runaway population growth, excessive urbanization, excessive military expenditures, needles luxury consumption, corruption and also management in efficiently. Those factors also effecting Greece economic, such as national budget management inefficiency, excessive military expenditure and corruption. External factors also gives effect for Greece economic, includes euro zone and global financial crisis, high interest rate of foreign loans and also the lack of investment.

Greece have inefficiency for management its national budget, Greece was developed its infrastructure used a huge number of its budget for infrastructure development although while it was was not capable to produce a comparable feedback to its GDP.

Greece also spent 2 until 3 percent of its GDP for military expenditures while the rest of NATO members only spent 1 percent. It showed that Greece spent much national budget for military expenditures.

Corruption in Greece also gives effect for its economic, many Greece people did corruption and The government of Greece also legalizes the custom practice of "*fakelaki*" in 2013 it mean that they argued that giving some "thank you" money is not a law violation. It makes many of society in Greece did corruption and causes almost 30% loss from the national income by tax or approximately 20 billion USD each year.

Euro zone and global financial crisis also as the external factors which effect the Greece economic crisis. Besides that, the high interest rate of foreign loans also make Greece difficult for paid its debt. 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.

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.

Several multinational companies also gave bad score for Greece in terms of investment potential. The three countries were Moody's, Filch, and Standards & Poors. These companies have assessed that Greece was not capable to repay its debts and considered it as an economically unstable country. It made investors to be afraid in investing money in Greece and made a lot of companies to close the business in Greece. As a result, the economy of Greece decreased and the unemployment rate increased.