DÉLKELET EURÓPA – SOUTH-EAST EUROPE
INTERNATIONAL RELATIONS QUARTERLY, Vol. 4. No.1. (Spring 2013/1 Tavasz)

THE CHARACTER OF THE GREEK CRISIS

ΧΑΡΊΚΛΕΙΑ ΚΟΚΚΊΝΟΥ ΜΑΝΔΑΜΑΔΙΏΤΟΥ*

(Abstract) The year of 2012 was a turbulent one for Greece. The country had to deal with a series of problems on the political, economic and social front. The economic crisis in the country, as a consequence of erroneous politics that were pursued primarily in domestic policies and afterwards in the foreign politics in 2009 is stills in progress. In this article, we are going to present Greece's internal politics, the parliamentary elections which were held twice in the same year, the difficulties of forming a new government, the economy, specifically the financial affairs of the country and the euro, and last but not least foreign affairs. This paper aims to present the crucial events of 2012 in Greece and preceding happenings leading to the issues that we face from the perspective of Greek and foreign newspapers and articles.

Key words: political, economic and social turmoil, recession, erroneous policies, imbalances of public finances, debt crisis, parliamentary elections, forming a new government, euro, foreign relations.

OUTLINE OF ARTICLE
Introduction:
1) How Greece became a burning issue for Europe.
2) The most important events in Greek politics in 2012.
3) Strikes and societal resistance in Greece, their goals and achievements
4) Greece and the euro.
5) Greek foreign policy
Conclusion.

*

Introduction

There is a confusion of terminology when referring to the Greek problem in everyday "journalistic" use of language. The Greek problem is often referred as "economic crisis" with rising unemployment, declining real incomes and a general decline in demand. By "economic crisis", however, is also meant the Greek debt crisis. These two terminologies are different and the preferred term for the first one is "recession". Having made this distinction, we can proceed to describe the causes of the debt crisis in Greece and we will be able to understand how and why Greece became a burning issue for Europe and the Euro zone.

1) How Greece became a burning issue for Europe.

The period after 1974 was a period of high borrowing for Greece resulting in the rapid expansion of debt. Between 1980 and 1993, the debt soared from 28.6% to 111.6% of GDP.[1] [2] The deficit for the same period was also high. After 1993, the economy went into a smoother path in order to meet the convergence criteria

---

* The author: *Xarikleia Kokkinou Mandamadiotou* is a sophomore undergraduate student of the International and European Studies Department at the University of Piraeus, member of the SAFIA organization, researcher of the South-East Europe Research Institution and an active participant on MUNs (Model United Nations).

[1] The chronilcle of swelling public debt (Το χρονικό διόγκωσης του δημόσιου χρέους) 1980-2005, by J. D. Kamaras. *Kathimerini*, December 15, 2005.

[2] The chronicle of a Foretold detrailment (Το χρονικό ενός προαναγγελθέντος εκτροχιασμού), by Ch. Karanikas. *Ta Nea*, July 31, 2010.

of the Maastricht Treaty. Thanks to the achievement of higher growth and privatization, the debt began to decrease slightly as a percentage of GDP and the deficit fell by 1999 to below 3%, resulting in allowing Greece to join the EMU. It was later revealed that the relatively high level of performance presented during this period was due to hidden defects and loans, a practice called creative accounting, the implementation of which helped the investment bank Goldman Sachs.

In autumn 2004, the finance minister George Alogoskoufis conducted economic census under pressure by Eurostat. The census revealed the country's previously concealed government spending leading to upward revision of the public budget deficits in the previous years. This led to the country's loss of credibility and to a three year surveillance period by the EU. In the same year, the Eurostat revised the Greek public budget for the preceding years, which showed that Greece had never met the Maastricht convergence criteria and even after the critical year of 1999 it still had a deficit of over 3%.[3] [4]

The Greek economy, however, was one of the fastest growing in the Eurozone from 2000 to 2007. During this period, it grew at an annual rate of 4.2%, as foreign capital was flowing into the country.[5] Despite this, the country continued to record high budget deficits each year. Financial statistics reveal solid budget surpluses existed from 1960 to 1973 for the Greek general government, but since then only budget deficits were recorded. In 1974-80 the general government had an era with moderate and acceptable budget deficits (below 3% of GDP).

According to an editorial published by the Greek conservative newspaper Kathimerini, large public deficits were indeed one of the features that have marked the Greek social model since the restoration of Democracy in 1974. After the removal of the right-wing military junta, the government wanted to bring disenfranchised left-leaning portions of the population into the economic mainstream. In order to do so, successive Greek governments have, among other things, customarily run large deficits to finance public sector jobs, pensions, and other social benefits.[6]

The long period with high yearly budget deficits caused a situation where, from 1993, the debt-to-GDP ratio was continuously found to be in the unhealthy territory of above 94%. In the turmoil of the global financial crisis, the situation became unsustainable (causing the capital markets to freeze in April 2010)[7], as the downturn had caused the debt level rapidly to grow above the maximum sustainable level for Greece (defined by IMF economists to be 120%). According to *"The Economic Adjustment Programm for Greece"* published by the EU Commission in October 2011, the debt level was even expected further to worsen into a highly unsustainable level of 198% in 2012, if the proposed debt restructure agreement was not implemented.[8]

Initially, currency devaluation helped the Greek government to finance borrowing. After the introduction of the euro in January 2001, the devaluation tool disappeared. Throughout the next 8 years, Greece was however able to continue its high level of borrowing, due to the lower interest rates government bonds in euro could command, in combination with a long series of strong GDP growth rates. Another consistent problem Greece has suffered from in recent decades, is the government's tax income. Each year it is far below the expected level. In 2010, the estimated tax evasion costs for the Greek government amounted to well over $20 billion per year.

Problems however started to surface when the global financial crisis peaked, with negative repercussions hitting all national economies in September 2008. Greece was not the exception. The global financial crisis had a particularly significant negative impact on GDP growth rates in Greece. In conclusion, the global economic crisis combined with budget deficits of the country (a consistent problem is the huge shortfall in revenue each year far below the expected level. In 2010, the estimated tax evasion costs for the Greek government amounted to well over $20 billion per year.[9]) and the constant borrowing, resulted in the collapse of the Greek economy. In addition, two of the country's largest earners, which are tourism and shipping, both were seriously affected by the downturn, with revenues falling 15% in 2009.[10]

Under those unfavorable circumstances for the Greek economy, the Prime Minister Kostas Karamanlis, who ruled with a small majority of 152 MPs, announced snap elections for October 4, 2009. He was accused

---

[3] With a deficit over the Maastricht Treaty we entered into EMU in 1999 (Με έλλειμα άνω του Μάαστριχτ μπήκαμε το 1999 στην ONE), by Kostas Moshonas. *Eleftherotipia*, November 15, 2004.
[4] Economic miracle with pathologies (Οικονομικό θαύμα με παθογένειες). *Kathimerini*, June 26, 2011.
[5] "Greece: Foreign Capital Inflows Up". Embassy of Greece in Poland (Greeceinfo.wordpress.com). September 17, 2009.
[6] Back down to earth with a bang (English edition). *Kathimerini*, March 3, 2010.
[7] Financial crisis: Timeline, by Patrick Kingsley. *The Guardian*, August 7, 2012.
[8] "The Economic Adjustment Programme for Greece: Fifth Review – October 2011 (Draft)". *European Commission*.
[9] Greeks and the state: An uncomfortable couple, by Christopher Torchia. *Bloomberg Businessweek*, *May 3, 2010.*
[10] Greece sovereign debt-crisis, by Andrew Michael Teo. wordpress.com, September 14, 2011. (12/2/13)

by his opponents for his decision, saying that his purpose of announcing these elections was to escape from the difficult situation that he and his government have created.[11]

In February 2010, the new government of George Papandreou (elected in October 2009), revised the 2009 deficit from a previously estimated 5% to an alarming 12.7% of GDP.[12] In April 2010, the reported 2009 deficit was further increased to 13.6%[13] and at the time of the final revised calculation by ECOFIN it ended at 15.6% of GDP, which proved to be the highest deficit for any EU country in 2009. This led the rating institute Fitch to downgrade Greece from A to A-.[14]

Nevertheless, the government declined to proceed directly to measures of fiscal consolidation in order to reassure the markets. In the next few months, the government proceeded to implement the election promises, such as the payment of subsidies to the social groups with low-income.[15] Consistent up to a point in pre-election promises of the government, it was the budget for 2010, filed in Parliament on 20 November 2009, which included increases in the rate of inflation, low wages and pensions. The budget also contained measures to reduce costs by cutting government spending and cuts in operating costs and estimated revenue growth, mainly through tackling tax evasion.[16]

Shortly after the submission of the budget there had been new negative developments concerning the creditworthiness of Greece. On December 8, the rating agency Fitch downgraded for the second time the Greek economy at BBB.[17] In turn, the firm Standard and Poor's moved on Dec. 16 to a deterioration in the Greek economy, considering the government's program for fiscal consolidation in the country inadequate. The third downgrade of the Greek economy was in December 23, this time by the firm Moody's.[18]

The figure for Greek government debt at the end of 2009, was also increased from its first November estimate at €269.3 billion (113% of GDP), to a revised €299.7 billion (130% of GDP).[19] [20] This major upward revision of the deficit and debt level, was caused by flawed estimates and statistics previously being reported by the Greek authorities in 2009, resulting in the need for ECOFIN to perform an in depth Financial Audit of the fiscal years 2006-09. After having conducted the financial audit, the ECOFIN noted in November 2010, that all "methodological issues" had been fixed, and that the new revised numbers for 2006-2009 were finally considered reliable.

Despite the crisis, the Greek government's bond auction in January 2010 had the offered amount of €8bn 5-year bonds over-subscribed by four times. At the next auction in March, the Financial Times again reported: "Athens sold €5bn in 10-year bonds and received orders for three times that amount."[21]. The continued successful auction and sale of bonds, was however only possible at the cost of increased yields, which in return caused a further worsening of the Greek public deficit. As a result, the rating agencies downgraded the Greek economy to junk status in late April 2010. In practical terms this caused the private capital market to freeze, so that all the Greek financial needs instead had to be covered by international bailout loans, in order to avoid a sovereign default.[22] In April 2010, it was estimated that up to 70% of Greek government bonds were held by foreign investors (primarily banks). The subsequent bailout loans paid to Greece were mainly used to pay for the maturing bonds, but also to finance the continued yearly budget deficits.

The Greek economy derails and both deficit and debt begin to grow rapidly. On 3 May 2010, Greece requested 80billion€ from the rest (15) countries of the Euro and 30billion€ by the International Monetary Fund (IMF). The request came 3 attached memorandums:

---

[11] Escape through elections plans Mr.Karamanlis (Απόδραση δια των εκλογών το σχέδιο Καραμανλή). *Eleftherotipia*, September 2, 2009.
[12] "Greece's sovereign-debt crunch: A very European crisis" . *The Economist*, February 4, 2010. (12/2/13)
[13] "Papandreou Faces Bond Rout as Budget Worsens, Workers Strike". *Bloomberg*, April 22, 2010. (12/2/13)
[14] Downgrade by Fitch after Greece's fiscal derailment by Sotitris Nikas (Υποβάθμιση απο τη Fitch μετά τον εκτροχιασμό της Ελλάδας). *Kathimerini*, Oct 23, 2009
[15] More beneficiaries of the solidarity allowance by Tzathas Dimitris, (Περισσότεροι δικαιούχοι για το επίδομα αλληλεγγύης). *Ta Nea*, November 18, 2009.
[16] The budget will be "tight" in increases in 2010, by Sotitris Nikas, ("Σφιχτός" στις αυξήσεις ο προϋπολογιαμός του 2010) *Kathimerini,* November 18, 2009.
[17] Downgrade of Greece to BBB + from Fitch (Υποβάθμιση της Ελλάδας σε BBB+ από τη Fitch). *Proto Thema, December 8, 2009.*
[18] Third downgrade of the Greek economy in December, by Sotiris Nikas, (Τρίτη υποβάθμιση της Ελληνικής οικονομίας τον Δεκέμβριο). *Kathimerini*, *December 23, 2009.*
[19] "Greek debt to reach 120.8 pct of GDP in '10 – draft" , by Ingrid Melander and Harry Papchristou. *Reuters, November 5, 2009.* (12/2/13)
[20] Greece's sovereign-debt crisis: Still in a spin, *The Economist*, April 15, 2010. (12/2/13)
[21] Strong demand for 10-year Greek bond, *Financial Times*, March 4, 2010.
[22] Standard & Poor's downgrade Greek credit rating to junk status by Wachman Richard and Fletcher Nick. *The Guardian*, 27 April 2010.

1. “Memorandum of Economic and Financial Policies” (MEFP)
2. “Technical Memorandum of Understanding” (DMS) and
3. “Memorandum of Understanding on Specific Economic Policy Conditions” (SPOP).

Signatories to the Greek side was the Finance Minister George Papaconstantinou and the President of the Bank of Greece George Provopoulos. On May 8 2010 approved the "Loan Facility" ("Loan Facility Agreement") by the countries of the Euro and the "Settlement Funding Immediate Readiness" ("Stand-by Agreement") by the IMF. All these agreements are often called for short ‘Memorandum’.[23]

Then group formed of representatives of the European Commission (EC), European Central Bank (ECB) and International Monetary Fund (IMF), also known as ‘Troika’, which evaluates quarterly the progress of the implementation of the terms of the "Memorandum "(MEFP and SPOP) and decide on the disbursement of the relevant loan installment.

Key words: borrowing, debt, Maastrict Treaty, Goldman Sachs, George Alogoskoufis, ECOFIN, credibility of the country, fastest growing economy, budget deficits, The Economic Adjustment Programm for Greece, government's tax income, tourism and shipping, Kostas Karamanlis, George Papandreou, Fitch, Standard and Poor's, Moody's, Financial Audit, methodological issues, bonds, bailout loans, Memorandum, Troika.

2) The most important events in Greek politics in 2012.

Late in January in 2010 President Papandreou being in Davos, Switzerland for the annual World Economic Forum[24], accepted the first package of financial measures for Greece and he was pushed for the implementation of those measures by the other foreign leaders. The country was in a terrible financial situation and what everyone was trying to achieve, was not the salvation of the country, but the controlled bankruptcy of it. On 23 October convened a special summit of the European Union to establish a definitive plan to tackle the debt crisis in the Eurozone.[25] The meeting reached an agreement that was announced on the morning of October 27 and was aimed at "haircut" of 50 % of Greek debt and additional aid package for Greece of 130 billion €. According to the agreement individuals would voluntarily accept a reduction in the value of Greek bonds with 50%. The agreement was accompanied by a program of fiscal adjustment period until 2021 and created a mechanism of permanent supervision in Greece for the continuous monitoring of the implementation of reforms. At the same time it was decided to recapitalize Greek banks to the tune of € 30 billion and one trillion increase in capital of € Financial Stability Fund.[26] [27]

Despite the measures proposed, the country was not able to implement any of them not only because of the potential economic situation but also because of the political instability was due to the wrong handling of the situation by George Papandreou, who provoked strong reactions to the opposition parties and within the ruling party, with the announcement of his decision to conduct a referendum on the new loan agreement, the last day of October 2011.[28][29]

Developments in Greece were the main topic of the meeting of G-20, in which was invited the Greek prime minister. On the sidelines of the meeting was the Chancellor of Germany Angela Merkel and the French President Nicolas Sarkozy with the prime minister of Greece. After the meeting, Merkel and Sarkozy announced that the outcome of the referendum will determine essentially the abidance of Greece in the eurozone. It was also announced that the disbursement of the sixth tranche of bailout would freeze until the holding of the referendum.[30]

On 3rd November the vice Prime Minister and Finance Minister Evangelos Venizelos argued against the referendum, believing that "Greece's position within the euro is a historic conquest of the country that can not be questioned. This acquis by the Greek people can not depend on a referendum. Having renounced the

---

[23] Loan contracts: from indignation to the concerns and solution capabilities by George Kasimatis (Συμβάσεις δανεισμού: από την αγανάκτηση στις ανησυχίες και στις δυνατότητες λύσης). *Eleftherotipia*, May 2, 2011

[24] The anniversary of Davos by George Mantela, (Η επέτειος του Νταβός). *Kathimerini*, January 26, 2011.

[25], On Oktober 23, the Special Summit (Στις 23 Οκτωβρίου η έκτακτη σύνοδος Κορυφής). *Proto Thema*, Oktober 10, *2011.*

[26] Three months of anguish for 10 years by G. Papaioanou, (Τρεις μήνες αγωνίας για 10 πέτρινα χρόνια). *To Vima*, Oktober 29, 2011.

[27] Increase in resources of the EFSF to 1trillion euros, (Αύξηση των πόρων του EFSF στο 1τρις. Ευρώ.). *Naftemboriki*, Oktober 27, 2011.

[28] Papandreou: Referendum on the new contract, (Παπανδρεόυ: Δημοψήφισμα για τη νέα σύμβαση). *Ta Nea*, November 3, 2011.

[29] Greece crisis: Papandreou's referendum is a gamble too far by Costas Lapavitsas. *The Guardian, Novemer 1, 2011.*

[30] Merkel and Sarkozy dictate the terms of the referendum (Μέρκελ-Σαρκοζί υπαγορεύουν τους όρους του δημοψηφίσματος). *Eleftherotupia*, November 3, 2011.

idea of a referendum, the Prime Minister was able to vote on 4th November, to take vote of confidence from the parliament with 153 votes in favor (Luka Katseli voted also in favour and rejoined PASOK) and 145 votes against.[31] On Sunday, November 6 he was met at the presidential palace with the president of the opposition Antonis Samaras, before the President of the Republic. The meeting was an agreement between the two political leaders to form the coalition government.[32] Four-day consultations had been made for the selection of the person who will lead the new government scheme by partisan staffs of PASOK, New Democracy and LAOS. The processes were completed on Thursday, November 10 when Lucas Papademos was chosen as the new prime minister.[33] The new government that consisted of six members of the New Republic, four of LAOS, while remaining virtually all strains of the Papandreou government sworn the next day.[34] At the same time the real economy continued to deteriorate with unemployment reaching a new record for the month of August, 18.4%[35] and even higher in the month of November according to data ELSTAT, to 20.9 %.[36] The deteriorating economy is reflected in more and more cases of malnutrition issues presented in schools. In late January 2012 the Ministry of Education announced a soup kitchens for students to address the problem.[37] The new measures accompanying the memorandum approved by the Government on 10 February 2012 included the following:

a) 22% reduction in the minimum wage at all echelons of the basic salary (from 751 € to 586 €) and 32% of new entrants to 25 years.

b) Remove 150,000 jobs in the public sector by 2015, of which 15,000 in 2012.

c) Individual or business contracts rather than sectoral. Eliminate tenure in SOEs and state-controlled banks.

d) Cuts pensions, benefits, health spending, defense, state functions and elections.

Elimination of social housing and Housing.

e) Objective values increase and consolidation of real estate taxes.

f) Full opening 20 closed professions.

g) Increase travel on public transport and in the CIU 25%.

h) Closing 200 tax offices, removing exemptions and low VAT on islands.

The new measures of the second memorandum led to the resignation of the government and the withdrawal of the members of LAOS[38] , few days before its adoption. The second memorandum was discussed in parliament on 12 February 2012 ("Approval of plans of Finance Facility Agreements between the European Financial Stability Fund (E.T.CH.S.), the Greek Government and the Bank of Greece, the draft Memorandum of Understanding between the Greek Republic, the European Commission and the Bank of Greece and other urgent measures to reduce the public debt and rescue the national economy. ") and was voted the early morning hours of February 13. 199 MPs voted in favor, 5 against and 74 voted present.[39]

On March 9 it was successfully completed the PSI. The involvement of the private sector reached 95.7%.[40] For other bonds of 8.5 billion euros, was extended until April 20.[41] The government's decision to include collective action clauses (CACs) was considered a credit event in the ISDA and led to the activation of CDS 3.2 billion euros.[42] On April 11, the Prime Minister Lucas Papademos announced the election date. The date was set for May 6. The result of the elections on May 6 led to a radical change in the political landscape. The rates of the coalition parties have shrunk significantly while striking was the increase in the percentage of parties expressing their opposition to government policy. From the fragmented political scene

---

31 Vote of confidence took the Papandreou government (Ψήφο εμπιστοσύνης έλαβε η κυβέρνηση Παπανδρεόυ). *To Vima*, November 4, 2011.

32 Agreement in principle at the meeting Papoulias - Papandreou - Samara (Καταρχήν συμφωνία στη συνάντηση Παπούλια - Παπανδρέου – Σαμαρά). *To Vima,* November 6, 2011.

33 Economist Named to Lead Greek Unity Government by Suzanne Daley. *New York Times* November 10, 2011.

34 Lucas Papademos sworn in as Greece's prime minister by Helena Smith. *The Guardian,* November 11, 2011.

35 Unemployment breaks all records in August by Eliza Triantafulou, (Σπάει όλα τα ρεκόρ η ανεργία τον Αυγουστο). *Eleftherotupia*, November 10, 2011.

36 All-time record unemployment in November (Ρεκόρ όλων των εποχών στην ανεργία το Νοέμβριο) by Thanasis Papadis. *Hmerisia*, February 10, 2012.

37 Soup Kitchens have opened in 18 schools in Attica (Αρχίζουν συσσίτια σε 18 σχολεία στην Αττική) by D.Tzathas. *Ta Nea*, January 31, 2012.

38 Nervous breakdown in government (Νευρική κρίση στην κυβέρνηση). *Ta Nea*, February 10, 2012.

39 "Yes" in the Memorandum by 199 MPs and "no" by 74 ("Ναι" στο Μνημόνιο απο 199 βουλευτές και "Όχι" απο 74), by L. Stavropoulos. *To Vima*, February 12, 2012.

40 In 95.7% was the participation in the Greek PSI, it exceeded all expectations (Στο 95,7% η συμμετοχή στο ελληνικό PSI, ξεπέρασε κάθε προσδοκία). *Ta Nea* March 9, 2012.

41 Extension until 20 April, for the PSI (Παράταση έως τις 20 Απριλίου για το PSI). *Ta Nea*, April 5, 2012.

42 Activate CDS (Ενεργοποίησε τα CDS). *To Ethnos,* March 10, 2012.

was ultimately not government. On May 16, was appointed a transitional government headed by Prime Minister Panagiotis Pikrammenos and new elections were announced on June 17.[43] The elections of June 17 revealed as the first party, New Democracy, but without self-reliance. With the collaboration of PASOK and Democratic Left (ΔΗΜΑΡ) was achieved a government with Antonis Samaras as a prime minister. The duration of the negotiations with the troika, the government resulted in the framework of medium-term fiscal strategy 2013-2016. The draft tabled in Parliament on November 5, in an article 216 pages, with an urgency. Provided measures of 18.9 billion euros, of which 9.4 billion for the year 2013.[44] It was passed on 7th November with 153 votes from the parliamentary groups of ND and PASOK.[45] The draft law concluded:

1) Increase the retirement age by 2 years by 01/01/2013.
2) Reduction in pensions from 5 to 15%, from 1,000 euros or more
3) Reductions in off to 83%.
4) Remove the universality of the National General Collective Labour Agreement.
5) Abolition of Gift Christmas and Easter, as well as the holiday allowance for civil servants and pensioners.
6) Reduce time warning redundancies in 6 months instead of 4.
7) Cuts to special payrolls.
8) Integration in a single payroll employees in SO Es.
9) Application availability one year at a reduced salary to government officials, whose positions are eliminated.
10) Elimination of numerous family and their replacement by a single child support allowance.
11) Increase gas tax to drive in 23 minutes.
12) Introduction extraordinary contribution in photovoltaics.
13) 25 euro fee for hospitalization.

Key words: Davos, World Economic Forum, financial measures, controlled bankruptcy, haircut, fiscal adjustment period, recapitalize Greek banks, referendum, coalition government, unemployment, malnutrition in schools, second memorandum, PSI, collective action clauses (CACs), Prime Minister Lucas Papademos, transitional government, Prime Minister Panagiotis Pikrammenos, elections, prime minister Antonis Samaras, collaboration of PASOK and Democratic Left, negotiations, draft law.

3) Strikes and societal resistance in Greece.

The proposed policy of Troika and the measures it requires to implement, caused a great wave of reaction to the Greek people, which was expressed through general strikes.

The most significant are:

The nationwide strike of GSEE and ADEDY on 18 October 2012 (day of the meeting of EU Summit)

The nationwide strike of GSEE, ADEDY, pharmacists, bank employees, lawyers, journalists and all modes of transport (metro, subway, tram, taxi, etc.) and even ships, National Federation of Postal, the National Confederation of Greek Commerce (ESEE) and the General Confederation of Professionals, Craftsmen and Merchants (GSEVEE), GENOP-DEH etc, which began on 6 and 7 November, but eventually engulfed almost the entire month.[46] [47]

The nationwide strike of ADEDY on 19/12/12 and finally

The nationwide strike of GSEE, doctors, public transport, lawyers, journalists, OME-OTE, bank employees and teachers.

The demands of all these strikes were the same. The demand of those trade unions, was the abolition of all unpopular agreements, memoranda and loan contracts and the non-adoption of the new and brutal measures that exhaust workers and retirees. Regarding the question of what has been achieved with those strikes of the trade unions, the general feeling is that they won almost nothing related to Memorandum and

---

[43] Pikrameno's transitional government was sworn. (Ορκίστηκε η υπηρεσιακή κυβέρνηση Πικραμένου.). *To Vima*, May 17, 2012.

[44] 18.9 billion the "bill" of the extension. (Στα 18,9 δισ. ευρώ ο “λογαριασμός” της επιμήκυνσης) by C. Plantzos. *Proto Thema*, November 1, 2012.

[45] Sweeping changes brings the draft law. (Σαρωτικές αλλαγές φέρνει το πολυνομοσχέδιο). *To Ethnos*, November 6, 2012.

[46] In Greece, When Everything Grinds to a Halt, Nobody Is Surprised by Philip Pangalos and Alkman Granitsas. *The Wall Street Journal,* December 20, 2012.

[47] Mass participation in the rally GSEE - ADEDY – PAME, A 67year old protester dead by a heart attack (Μαζική η συμμετοχή στο συλλαλητήριο ΓΣΕΕ - ΑΔΕΔΥ – ΠΑΜΕ, Νεκρός 67 χρονος διαδηλωτής από ανακοπή καρδιάς), by D. Vithouklas, G. Poliopoulos, D. Galanis, A. Hekimoglou. *To Vima*, Oktober 18, 2012.

measures (hard and unfair in many cases). In other words, the continuous mobilization of all these months was simply ineffective. They did not stop the action. They did not hinder the trends and dynamics of the rising unemployment.

All this means that there should not be protests, demonstrations and strikes against the measures and the Memorandum? Of course not. They had to be done. When the income and the standard of living of people is so dramatically, people can only demonstrate, protest, strike. But the question is how to organize the mobilization of those trade unions. One can assume that they are organized not to release or to declare their ideological beliefs, but as an act designed to bring concrete results, to maximize the benefits for the workers, to prevent unfair and highly damaging action. But that obviously did not happen. The measures passed and implemented. Instead, it was an abuse of strikes and especially 'general strike'. The general strike is a top act of the union movement. It should not happen every five days. In some European countries (UK, France) it is still considered the catalyst which can overturn situations, governments, regimes, to mortify the country. So we resort to a general strike with great parsimony and targeted strategy that, even if it does not topple regimes, to bring some tangible, concrete results. Here have been numerous general strikes in recent years with minimal results and one Memorandum succeeds another. In Spain, for example, strikes seem that so far have brought some results, as the country did not go to apply for a 'rescue plan' and a memorandum of terms. Some results are also brought to Portugal and Italy. However these strikes were measured, targeted. More generally, if the strike is not just an event of ideological beliefs, then its effectiveness can only be the one criterion for the organization and manifestation. The measures adopted in Greece emanate largely from the EU (and some from the IMF) as a condition for the granting of financial assistance to non-bankrupt country. Measures that are transnational origin and enforcement. The strikes are events in the national context and directed "against" the government of the nation state.[48]

Key words: great wave of reaction, nationwide strike, GSEE, ADEDY, measures that exhaust, ineffective mobilization.

4) Greece and euro.

And amidst all the turmoil and chaos in the country because of the general strikes, it appeared the first propagandistic scenarios that referred to the exit of the country of the euro and return to the drachma, the so called: GREXIT. A scenario which was debated for some time in the media and during which Greece would seek itself of this exit, since there is no law or authority under the rules of the eurozone nor this would benefit the Euro zone itself, because it is uncapable to be lead to economic recovery and growth in the euro. So far, the fact remains simply a script and a propagandistic message, as the country in general, the Euro zone and the EU do whatever they can to help Greece stay within the euro. Besides a possible return to the drachma would not benefit Greece as there would be a devaluation of the loan and it would appear twice in the DR, there would also be difficulty in trade and commerce in general and the country would generally return to the negative period before eurozone. Moreover, a possible withdrawal of a member state of the EMU would mean the collapse of the whole edifice.[49]

Key words: propagandistic message.

5) External Greek policy.

Greece being in a situation of economic crisis is facing problems in foreign policy, which start from a lack of resources, the low prestige, the priorities emerging from the crisis, the inaction of officers and any internal disagreements. In any case, even in times of economic crisis, a State may have a capable and effective foreign policy. The Greek foreign policy since the end of WWII consistently seeks peace, stability, security, cooperation with its neighbors and development characterized by the Euro-Atlantic orientation and places particular emphasis on compliance with international treaties and rules of good neighborliness. The traditional agenda of issues are:

- The removal of the consequences of illegal military invasion and occupation of Cyprus by Turkey
- A solution to the FYROM name dispute and
- Tackling the growing aggressiveness of Turkey, as expressed by the hegemonic nature of its policy.

This foreign policy is now facing difficulties because of the economic crisis and the sources of instability arising in the international environment of Greece. And this implies that Greek foreign policy should perform more work towards addressing the effects of the crisis on the country itself and to contribute to the overall effort to get out of it and, of course, continue to manage the usual issues. Therefore, we must also

[48] What do strikes achieve? (Τί επιτυγχάνουν οι απεργίες;), by P. K. Ioakimidis. *Ta Nea*, November 9, 2012.
[49] If Greece come out of the euro (Αν η Ελλάδα έβγαινε απο το ευρώ), by T. Koukakis. *Ta Nea, May 20, 2012.*

assume greater responsibilities and respond to them with fewer material and human resources. These difficulties are not insurmountable. What needed is a hierarchy of priorities, the rational management of resources and the awareness of those that are responsible for the foreign policy.

First priority is to manage the economic crisis and the proper division of labor. Negotiations in the EU and the IMF handled mainly by the Ministry of Finance. In this effort the Foreign Ministry should help by keeping its attention to the 'traditional' foreign policy in the crisis-related issues.

One such issue is the judgment of the low prestige that Greece acquired because of the economic crisis. The country's image has been variously and often tarnished. That's why the leadership of the country must do everything possible to restore the prestige and image and send messages to all directions, firstly, that the country fulfills its commitments and moves towards financial management problems, secondly, it fulfills its commitments to issues of debt and other foreign policy and defense. The restoration of the prestige of the state and the improvement of its image both is a major responsibility. In addition the services that are related to the foreign policy must deliver to the interior and the exterior the message of rational and optimal management of available and even limited resources. The foreign policy far more than other policies offered in this direction, does not require infrastructure such as transport, health, education or equipment such as defense. The use of modern communication technologies and tools already available to the country or the activation of the Greek people abroad could help to restore the prestige and image and do not require separate costs. Special attention, also, should be given to rational intensification of an already existing business, economic diplomacy in an effort to attract new investment and promotion of goods and services produced in our country. Furthermore, it is critical the sober rationalization of defense spending, but without any cuts or measures to endanger national security or undermining the possibilities of the foreign policy. Streamlining which is a significant part of the foreign greek policy too, means not only the reduction of the costs but also means the abolition, the reorganization or even the creation of new services. Especially it requires effective crisis management and planning a development on strategies and checking existence and enforcement. It also means coordinating the use of existing power rates, growth rates of missing and synergy of stakeholders. By streamlining the organization and planning of foreign policy can be created the conditions for the valuation of upheavals in the international system and the drafting of relevant policy so that, regardless of political or economic issues, not observed deadweight effects could not be observed. Every crisis contains the default probability of large losses or destruction but it also contains a large element of chance.[50]

Key words: lack of resources, the low prestige, the priorities emerging from the crisis, the inaction of officers and any internal disagreements, peace, stability, security, cooperation with its neighbors, division of labor, economic diplomacy, Streamlining.

Conclusion

Greece is a country that has gone through many difficulties but in any difficulty was able to get out as a winner. In every country and in every period there is acne and decline, so is the case in Greece. Despite the economic crisis there is a daily struggle for a better future. It may take too long to come back in the period of prosperity, but that will be succeed in one or another way. Moreover such a crisis it may was necessary for the country to find weaknesses and try to improve them or extinct them. Moreover being a member of the EU and the euro zone ensures a very important key for its progress in the future.

http://www.southeast-europe.org
dke@southeast-europe.org

Note: *Respected Researchers*, if you make a reference to this article or quote part of it, please send us an email at dke@southest-europe.org to let us know that. *Please cite the article as follows:*

Χαρίκλεια Κ. Μανδαμαδιώτου (*Xarikleia K Mandamadiotou*): The Character of the Greek Crisis. *Délkelet Európa – South-East Europe International Relations Quarterly*, Vol. 4. No.1. (Spring 2013) 8 p.

Thank you for your kind collaboration. *Editor-in-Chief*

[50] Crisis and Foreign policy (Κρίση και εξωτερική πολιτική) by I. Kouskouvelis, *Foreign Affairs* (the hellenic edition), February 5, 2012.