Political Conditions Greece

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Political Chronology from the post-Civil War era to the 1980s:

After the 1944-1949 Greek civil war, Greece sought to join the Western democracies and became a member of NATO in 1952. From 1952 until late 1963, Greece was governed by conservative parties, the Greek Rally of Marshal Alexandros Papagos and its successor, the National Radical Union, or ERE, of Constantine Karamanlis. In 1963, the Center Union Party of George Papandreou was elected and governed until July 1965. It was followed by a succession of unstable coalition governments.

On April 21, 1967, just before scheduled elections, a group of colonels led by Colonel George Papadopoulos seized power in a coup d'etat. Civil liberties were suppressed, special military courts were established, and political parties were dissolved. Several thousand political opponents were imprisoned or exiled to remote Greek islands. In November 1973, following an uprising of students at the Athens Polytechnic University, General Dimitrios Ioannides replaced Papadopoulos and tried to continue the dictatorship.

General Ioannides' attempt in July 1974 to overthrow Archbishop Makarios, the president of Cyprus, brought Greece to the brink of war with Turkey, which invaded Cyprus and occupied part of the island. Senior Greek military officers then withdrew their support from the junta, which toppled. Leading citizens persuaded Constantine Karamanlis to return from exile in France to establish a government of national unity until elections could be held. Karamanlis' newly organized party, New Democracy, or ND, won the elections held in November 1974, and he became prime minister.

Following the 1974 referendum that resulted in the rejection of the monarchy, parliament approved a new constitution on June 19, 1975. The parliament then elected Constantine Tsatsos president of the republic. In the 1977 parliamentary elections, New Democracy again won a majority of seats. In May 1980, Prime Minister Karamanlis was elected to succeed Tsatsos as president. George Rallis was then chosen party leader and succeeded Karamanlis as prime minister.

Political Chronology from 1980s to 2000:

In 1981, Greece became the 10th member of the ***European Community***, which is now known as the ***European*** Union or EU. In parliamentary elections held on Oct. 18, 1981, Greece elected its first socialist government when the Panhellenic Socialist Movement, also known as PASOK, led by Andreas Papandreou, won 172 of 300 seats. On March 29, 1985, after Prime Minister Papandreou declined to support President Karamanlis for a second term, the Greek parliament elected Supreme Court Justice Christos Sartzetakis as president and head of state.

Greece had two rounds of parliamentary elections in 1989, both of which produced weak coalition governments with limited mandates. Party leaders withdrew their support in February 1990, and elections were held on April 8. In the April 1990 election, "Nea Dimokratia" (New Democracy or ND) won 150 seats and subsequently gained two others. The new prime minister, Mitsotakis, fired his first foreign minister, Andonis Samaras, in 1992; Samaras then formed his own political party, Political Spring. A split between Mitsotakis and Samaras led to the collapse of the New Democracy government and new elections in September 1993.

In October 1993, Papandreou was re-elected prime minister when PASOK won 170 seats. After his election, Prime Minister Papandreou focused on improving Greece's relations with its northern neighbors. The PASOK government also reversed two major privatization projects undertaken by Mitsotakis involving the national telephone system and the Athens bus system.

On Jan. 17, 1996, following a protracted illness, Prime Minister Papandreou resigned and was replaced by former Minister of Industry, Costas Simitis. In elections held in September 1996, Costas Simitis was elected prime minister after PASOK won 162 parliamentary seats over New Democracy's 108 seats.

The Simitis government faced severe opposition to its fiscally strict budget, which was devised to obtain Greek entry into the Economic and Monetary Union, or EMU. Throughout 1997, millions of public workers went on strike protesting the PASOK government's economic program.

Prime Minister Costas Simitis called for elections in April 2000 - six months before the end of the maximum term of four years. The Simitis government had been in office during several major foreign policy events and had also overseen significant domestic political and economic developments.

Two major foreign policy events in particular affected the Simitis government's popularity and the electoral fortune of PASOK. First, Greece had participated in a North Atlantic Treaty Organization action against its neighbor Serbia from March until June 1999, despite widespread domestic opposition to the war. Second, following the Abdullah Ocalan affair, there was an initial deterioration of relations with Turkey. In brief, Greece attempted to harbor Ocalan, the leader of the Kurdish rebels, whom the Turks wanted to stand trial. Greek-Turkish relations subsequently improved after Greece and Turkey provided mutual aid after each experienced devastating earthquakes (in August and September 1999). The substantial diplomatic rapprochement led Greece to be somewhat more accepting of Turkey's possible future accession to the ***European*** Union, historically a point of much contention. Relations between Greece and Turkey have also been affected by developments in Cyprus -- a matter which will be discussed below.

On the domestic front, the Simitis government had overseen the steady improvement of the Greek economy, after implementing unpopular economic reforms, and had applied for membership in the Economic and Monetary Union, or EMU, which would allow Greece to adopt the ***European*** single currency, the euro. Greece wanted to join the EMU in 1999, but failed to meet the economic criteria (limits on the budget deficit, public debt and inflation) necessary for membership.

Political Developments from 2000 to 2004

In 2000, while the Simitis government enjoyed popular support, PASOK faced substantial competition from the conservative New Democracy.

PASOK maintained its parliamentary majority in the April 2000 elections, winning 43.8 percent of the vote and, due to the reinforced proportional representation electoral system, 162 of the 300 seats in parliament. New Democracy, however, substantially increased its electoral fortunes from the 1996 elections, winning 42.7 percent of the vote for 125 seats, having previously won 38.1 percent and 108 seats. The "Kommounistiko Komma Ellados," the (Communist Party of Greece or KKE), won 5.5 percent of the vote and kept its 11 parliamentary seats. The socialist "Sinaspismos tis Aristeras ke ti Proodu," the Coalition of the Left and Progress or SIN, experienced something of a decrease in electoral support, winning 3.2 percent of the vote and six seats, having won 5.1 percent and six seats in 1996. The socialist "Dimokratiki Kinoniku Kinima" (the Democratic Socialist Movement or DIKKI) also failed to improve its electoral standing, winning only 2.7 percent of the vote and no seats, after winning 4.4 percent and nine seats in 1996.

A major goal of the Simitis government was met when Greece was formally accepted into the EMU on Jan. 1, 2001. The decision to allow Greece entry was reached at a meeting of EU finance ministers in June 2000. As noted above, the Simitis government had implemented a number of austerity measures to bring the Greek economy more into line with the other members of the EMU. While attaining EMU membership was a great success for the Simitis government, its fellow EMU members warned Greece that further reforms to the Greek economy would be necessary. Thus, maintaining fiscal discipline and further privatizing state-owned industries, especially in utilities, transportation, and communications, would continue to be the main domestic public policy issues on the second Simitis government's agenda.

One area slated for reform involved the system of taxation. Greece had the same taxation system for 50 year until April 2002 when the Greek government announced plans to reform the tax structure in an effort to stimulate the economy. The government's goal with the new system was to simplify Greece's complex taxation regime.

The government was also faced with balancing the need to maintain its "stability pact" with the rest of the EMU with the increasingly pressing need to address ailing social services, especially the health, education, and pension systems. Because PASOK had typically drawn significant electoral support from those groups most likely to bear the costs of rationalizing these systems (for example, labor unions), Prime Minister Simitis' job was not to be easy and his objectives would not be painlessly realized.

A more symbolic success for the government occurred when Greece won its bid to host the 2004 Olympic Games in Athens. Since winning the bid, however, Greece was criticized internationally for its lack of progress in improving its infrastructure. Olympic officials had even threatened to award the games to a different country if Greece failed to improve its ability to house, transport, service, and protect the thousands of athletes and visitors that accompany the games. The ***slow*** pace of preparations had been partially blamed on political infighting among the government's supporters. Indeed, Prime Minister Simitis was compelled to replace the culture minister in charge of preparing for the games due to criticism of the government's policies.

By 2002, the International Olympic Committee (IOC) reported that Greece had made some progress. However, the IOC still strongly encouraged the Greek government to meet its agreed-upon deadlines for Olympic construction projects. The Greek government continues to promise to have all the venues ready in time for the Games.

The potential for acts of terrorism also had many concerned about the games being held in Athens. Previously, in June 2000, a group known as "November 17" assassinated the British military attaché in Greece. The "November 17" group first became public in 1975 and was blamed for an estimated two-dozen deaths. By 2003, 18 men and one women were arrested and faced trial in regard to the killings. The group's strong anti-Western sentiments (including anti-***European*** Union and anti-NATO sentiments) were of significant concern to Greek and international officials responsible for the Olympic Game preparations. The September 2001 attacks on the World Trade Center and the Pentagon also heightened the security concerns of the Greek government and the International Olympic Committee.

Meanwhile, in 2002, relations between Greece and Turkey improved when the Greek and Turkish governments signed an agreement to build a gas pipeline along which Turkey would supply Greece with gas. Then, in 2003, the foreign ministers of Greece and Turkey offered remarks at a joint news conference held at Kas, in Turkey's southwestern Antalya province, where the Turkish foreign minister had been hosting all the foreign ministers of the ***European*** Union. The two ministers announced their respective countries could work together with regard to the Ottawa Treaty, which prohibits anti-personnel landmines. Although Athens and Ankara had yet to ratify the treaty, they were to submit documents on their joint agreement to the United Nations, which would make both Greece and Turkey party to the Ottawa Treaty. The concurrence and willingness to work together in regard to the landmine treaty was intended to symbolize strengthened bilateral relations.

In 2003, relations between the two countries were challenged by the matter of Cyprus. The island of Cyprus has been divided into the Greek Cypriot and Turkish Cypriot sides since 1974 when Turkey invaded the northern third of the island, following a short-lived coup by the Greek Cypriots seeking union with Greece. Cyprus' northern third has been occupied by Turkish Cypriots ever since and is backed by the government of Turkey. For its part, Greek supports the Greek Cypriot government, which is also recognized by the international ***community***. The United Nations tried to broker the reunification of Cyprus but negotiations failed. Recent decisions to lift restrictions on passage from and to the two sides of Cyprus were well-received by the Greek government in the wake of failed unification talks.

Meanwhile, Greece held the ***European*** Union presidency. Turkey has applied for membership in the regional body and George Papandreou -- in his role as the ***European*** Union president -- said that he hoped for a positive outcome for Turkey in 2004.

On the issue of the war in Iraq, in April 2003, the ***European*** Union -- headed by a Greek presidency as noted above -- stated that the United Nations should have a "central role" in rebuilding Iraq, while noting that the United States-led forces in the country should have the responsibility of restoring stability. The function of the ***European*** Union, however, was left unspecified until further details could be determined in regard to the roles of the coalition forces and the United Nations, respectively.

In May 2003, two informal texts -- one dealing with ***European*** Union participation in Iraq's reconstruction, and the other with the prospective common ***European*** security and defense policy -- were prepared by the Greek Presidency of the ***European*** Union. They were then presented to the informal ***European*** Union General Affairs and External Relations Council. In regard to participation in Iraq's reconstruction, the text restated the ***European*** Union's intent to assist in the political and economic reconstruction of Iraq. Included was a provision for humanitarian aid on the day after which sanctions against Iraq were lifted. The second text presented by the ***European*** Union Presidency was a prioritization of a ***European*** security and external relations policy.

On the domestic agenda, despite speculative reports that Costas Simitis would step down from the leadership of PASOK, the prime minister's office stated he would remain as the head of the party, at least until the next national elections, which were scheduled for 2004. In fact, in early 2004, when Simitis called for elections in March, he also stated he would not stand as PASOK leader and that Minister of Foreign Affairs George Papandreou would instead hold the reins as the head of that political party. Papandreou came from a Greek political dynasty as the son and grandson of former Greek leaders.

One the rationales behind the call for elections was the impetus for reaching a settlement on the matter of Cyprus ahead of the May 1, 2004, date for that country to join the ***European*** Union. Domestic concerns, however, were of paramount importance to the Greek citizenry as people complained about inflation, unemployment, the sense of a decreasing standard of living, as well as apparent corruption. Indeed, with these issues burning in the consciousness of voters, and with the opposition New Democracy party offering an economic program that included tax cuts, that party seemed to have an eight point advantage ahead of the incumbents in polls leading up to the election.

On election day in March 2004, PASOK's dominance in Greek government for over a decade ended when the conservative New Democracy party, led by Konstantinos Karamanlis, won the vote. The victory for Karamanlis and New Democracy heralded a significant shift in Greek politics.

Expressing jubilation about his success, Karamanlis said, "This is a victory for democracy. We've been handed a mandate to move the country forward." He went on to become prime minister and formed a government.

The actual results of the election were as follows: "Nea Dimokratia" or

New Democracy (ND), conservatives -- 45.4 percent and 165 seats; Panellino Socialistiko Kinima or Pan-Hellenic Socialist Movement (PASOK, socialists/social-democratics -- 40.5 percent and 117 seats; Kommounistiko Komma Ellado or Communist Party of Greece (KKE),

communists -- 5.9 percent and 12 seats; Sinaspismos tis Aristeras ke ti Proodu or Coalition of the Left and Progress (SIN),

left-wing socialists -- 3.3 percent and 6 seats; Laikos Orthodoxos Synagermos or Populist Orthodox Rally (LAOS), right-wing populists -- 2.2 percent and 0 seats; Dimokratiki Kinoniku Kinima or Democratic Social Movement (DIKKI), left-wing socialists -- 1.8

percent and 0 seats.

In May 2004, a police station in Athens was the target of three bomb attacks as fears of terrorism again emerged ahead of the Olympics. Leading up to August of that year, attention in Greece was on the preparations for the Olympics. (See "Special Entry" below for details about the Olympics.)

Meanwhile, in June 2004, indications from the ***European*** Union (EU) parliamentary elections suggested there had been a record low turnout of only 44.2 percent for the EU. Reports also suggested that turnout among the 10 new member states was even lower than the overall average at only 26 percent. In some countries such as Greece, sunny weather was deemed to have been the culprit as people left their homes and headed for the coast rather than toward the polls. Still, officials from the Interior Ministry of Greece claimed that turnout had exceeded 60 percent.

In December 2004, the ***European*** Commission issued a warning to Greece after it was discovered that the country had falsified data regarding its budget deficit in the period prior to joining the Euro ***zone***.

Special Entry on the Olympic Games:

From Aug. 13, 2004 to Aug. 29, 2004, the XXVIII Summer Olympic Games were held in the Greek capital city of Athens. Greece is the birthplace of the ancient Olympic Games, dating back to 776 BC, according to the historic record. These Olympic Games marked the second time Greece has hosted the Olympics in modern times. Athens played host to the first modern Olympics in 1896.

"Phevos" and "Athena" were the Olympic mascots whose symbolism were rooted in the legacy of an Olympian god and an Olympian goddess. "Phevos" was known as the god of light and music, also known as Apollo in Greek mythology. His sister, Athena, was regarded as the goddess of wisdom. Fittingly, she has also been known as the patron of the city of Athens. The choice of "Phevos" and "Athena" were illustrative of the rich and compelling history and culture of Greece and Greek civilization. The concept of Olympic mascots first came into being during the Winter Olympic Games in Grenoble in 1968. Greek history and culture were also emblazoned on the Athens Olympic torch which was designed to resemble an olive leaf. As well, the emblem of the Olympic Games depicted the "kotinos" or an olive wreath. The olive tree was considered to be of great cultural importance and going back to the ancient Olympic Games, the "kotinos" was awarded to the champion.

In these modern games in Athens, 28 sporting events took place at 38 venues. Three hundred and one medal ceremonies also took place. More than 10,500 athletes competed in the Olympic Games, representing more than 190 countries. Notably, the country of Afghanistan participated in the Olympics following a suspension, in some measure due to the now-ousted Taliban regime's refusal to allow female athletes to compete.

On the ground in Athens, security was a major concern. Approximately 45,000 security personnel were on duty during the course of the games along with 60,000 trained international volunteers.

Developments from 2005 to 2007

In March 2005, the domestic scene in Greece was dominated by the launch of a spate of strikes by trade unions across the country. The strikes were carried out to protest against the country's increasing unemployment rate, in conjunction with the rising rate of inflation. By December 2005, strikes were ongoing with a specific focus on protesting the parliament's approval of changes to labor laws, which would essentially end lifetime employment tenure within the public sector. (See "Recent Developments" below for information about further strike activity.)

The year 2005 was also marked by ratification of the ***European*** constitution among Greeks. In April 2005, Greece's parliament voted during a special session in favor of the proposed constitution of the ***European*** Union (EU). The proposed constitution was backed by 268 votes in the 300-member parliament, with 17 parliamentarians voting against it and another 15 abstaining. According to ***European*** Union mandates, all member states must vote in support of the document either by public referendum or parliamentary vote.

Also in 2005, Karolos Papoulias became the country's new president after being elected by the "Vouli ton Ellinon" or parliament for a five-year term.

The first part of 2006 was marked by strike action undertaken by a constellation of public and private sector unions in Greece. In March, the 24-hour general strike led to disruption in services across the country, including public transportation in the capital city of Athens, but also affecting banks, hospitals, schools and government offices. Cities such as Athens were particularly hard-hit with log-jammed streets filled with workers marching to government facilities to attend rallies.

The strike was called by the unions in order to protest the conservative government's economic reform program. Among the Greek people, there is an increasing sense of frustration regarding high prices of goods and services, along with low wages. Indeed, the union leaders have argued that the minimum wage in Greece is half that of the ***European*** Union average. At the broader level, there was intensifying uneasiness about the government's intent to privatize state enterprises amidst a climate of high unemployment.

For its part, the government had to go forward with these plans in order to bring the Greek economy in line with ***European*** Union mandates to cut the budget. It is a mandate that is more stringent for countries that do not use the Euro as the currency. As well, the government has argued that its economic reforms have been intended to increase Greece's competitiveness within the global economy

The first part of 2006 was also marked by a brewing phone tapping scandal. In March 2006, George Koronias, the head of mobile phone company Vodafone Greece, began giving testimony before a parliamentary committee's inquiry into the apparent surveillance of various officials. A month prior, the government of Greece acknowledged that the mobile phones belonging to the prime minister and over 100 other officials, including politicians, security personnel, and journalists, had been bugged. The surveillance was said to have begun before the Olympics held in Athens in 2004 but continued after until it was detected in 2005. Once the matter came to light, there was increased suspicion that the matter involved United States intelligence agents in some manner.

The alleged suicide of a Vodafone network manager just days after the surveillance was revealed only added to the sense of scandal surrounding the matter.

The company's denial that the man's death was connected to the scandal seemed to have had little effect in minimizing public concern.

Parliamentarians participating in the committee's inquiry tried to determine why it took a year for the surveillance to be uncovered. Clearly, issues surrounding the death of the Vodafone manager were also expected to be addressed. As well, parliamentarians on the investigating committee were hoping to determine how the sophisticated software, which was used for intercepting calls, was able to be installed and activated in a clandestine manner within the Vodafone system shortly before the Olympics.

Indeed, it has been this very question that led to allegations that the United States may have been involved, as expressed by Liana Kanelli, a Member of Parliament. Kanelli's charges were not out of the mainstream. In fact, there has been a widespread belief among the Greek public that the Vodaphone tapping scheme was orchestrated by agents of the United States in the first place.

The claim by a former American diplomat that the United States was involved has only bolstered that perception. The diplomat, who was based at the United States embassy in Athens until his resignation, said that the United States did not believe the Greek authorities could be trusted to protect the Olympics from a possible terrorist attack, hence their involvement, which including the phone surveillance.

In response to the phone tapping scandal, Prime Minister Karamanlis announced that there would be strict rules regulating mobile phone operations. The new regulations would be oriented toward ensuring a higher level of privacy in communications, along with harsh punishments for violators.

In May 2006, a powerful bomb exploded in the Greek capital city of Athens. Although there were no casualties, the bomb was apparently aimed at Greek Culture Minister George Voulgarakis. There was, however, no claim of responsibility. The former Public Order Minister took on the Culture portfolio following a cabinet shuffle that some have said was a demotion of sorts. The shuffle appeared to be associated with the telephone tapping scandal (discussed above) that had been the center of the political purview in Greece for some time. That issue aside, Voulgarakis was also associated with claims made by 28 Pakistani immigrants that they were abducted and tortured by Greek authorities at unknown locations following the 2005 terrorist attacks in London. For his part, Voulgarakis denied any wrongdoing.

Also in May 2006, Greek and Turkish fighter planes collided in the air and crashed into the Aegean Sea. The Greek pilot died in the incident although the Turkish pilot ejected safely and was rescued. It was believed that the collision, which ensued near the island of Karpathos, may have occurred as a result of efforts by the Greek authorities to scramble a jet in order to intercept a Turkish aircraft.

The area in the Aegean has been the site of a prevailing territorial dispute between Greece and Turkey because both countries do not agree about the jurisdiction of air space. There were some fears that the incident might hinder the trend toward improved bilateral relations that had been ongoing in recent years. Putting some rest to these anxieties, Turkish Foreign Minister Abdullah Gul immediately extended his country's sympathies to his Greek counterpart, Dora Bakoyanni. For its part, the Greek Foreign Ministry released a statement that read, "The two foreign ministers expressed their regret at today's incident and agreed that this should not affect the two countries' efforts to improve their relations."

February 2007 saw the conservative government of Prime Minister Kostas Karamanlis survive a non-confidence motion in parliament and stave off the possibility of fresh elections. The motion, which was brought by the Socialist opposition, was defeated by a 164-122 vote in parliament after three days of debate. The Socialists accused the government of incompetence over the three years it held office.

For his part, Prime Minister Karamanlis said that his New Democratic government would complete its term. He also promised to move forward with his reform agenda, saying, "We will continue our reforms in health, education and the economy, and nothing will stand in our way." But, in fact, for his reform agenda to move ahead, it would require a constitutional amendment. It would also have to withstand popular opposition, as evidenced by mass protests in the capital of Athens in January 2007, which were intended to register opposition to such changes.

Special Note

In August 2007, forest fires ravaged significant portions of Greece. The affected areas included Athens, Evia Island and the Peloponnese. More than 50 people had died at the times of writing. The fires have left several revered cultural sites, artifacts and other historic interests at grave risk of destruction. Among the vulnerable sites was the ancient Olympia, renowned for being the birthplace of the Olympics. Firefighters were attempting to keep the site from being affected, however, flames were edging close to the original Olympic stadium as well as the yard of the museum housing some of Greece's greatest archaeological artifacts. As a result, fire engines were deployed to the area to stand ready to defend the country's cultural legacy. As well, a new fire protection and sprinkler system, which had been installed prior to the 2004 Olympics, was turned on.

Elections of 2007

The Greek people went to the polls to vote in parliamentary elections on September 16, 2007. Voter turnout was in line with normal levels, however, there was a reduced rate of participation in the Peloponnese peninsula south of Athens, which suffered terribly as a result of forest fires a month earlier. That region saw dozens of people killed as a result and the government came under fire for its ***<u>slow</u>*** reaction and poor handling of the crisis.

Nevertheless, despite the shadow of the forest fire crisis, exit polls indicated that the governing New Democracy party of Prime Minister Costas Karamanlis was expected to win over George Papandreou's socialist party, Pasok. With most of the votes counted, it appeared that the outcome would be in line with the exit poll data. Indeed, New Democracy had about 43 percent of the vote share over Pasok, which took 38.5 percent of the vote share. The result meant that New Democracy would have the most seats in the 300-seat parliament -- albeit with a reduced majority. Indeed, control over 154 seats meant that it had an advantage of four seats in parliament -- far fewer than the situation following the previous elections but enough to claim an absolute majority.

As such, Prime Minister Karamanlis claimed victory saying that his government had a "clear mandate" from the people to continue its reform agenda. His policy program was thus expected to concentrate on economic development, poverty alleviation, pensions increases, and the creation of a social state for the future. In a gesture intended to rectify the government's handling of the forest fire crisis, Prime Minister Karamanlis promised that the government was committed to helping victims. He also expressed his sense of responsibility saying, "I feel doubly responsible to be more effective and avoid mistakes."

On the other side of the equation, Papandreou thanked his supporters for their "love and trust" in him and his party, but conceded defeat saying, "Pasok fought a battle and lost it." Attention then turned to the question of whether Papandreou would resign as Pasok leader. Former Culture Minister Evangelos Venizelos was mentioned in the public purview as a possible successor.

The Macedonia Controversy

Although there were hopes that the Former Yugoslav Republic of Macedonia (FYROM) and Greece would find their way toward an improved and allied relationship, difficulties have continued over questions of names and insignias used by FYROM. This country, FYROM, has looked to Greece's historic enemy, Turkey, for diplomatic support. Greek refusal to recognize FYROM under the name "Republic of Macedonia" has been an important issue in Greek politics since 1992.

Greece was adamantly opposed to the use of the name "Macedonia" by the government in Skopje, claiming that the name is intrinsically Greek and should not be used by a foreign country. Furthermore, Greece believes that an independent "Republic of Macedonia" bordering the Greek region of Macedonia would fuel irredentist tensions in FYROM. The dispute led to a Greek trade embargo against FYROM in February 1994.

Mediation efforts by the United Nations, United States and ***European*** Union brokered an interim solution to some of these differences in September 1995, leading to the lifting of the Greek embargo. Since the signing of these interim accords, the two governments have concluded agreements designed to facilitate the movement of people and goods across their common border and improve bilateral relations. Talks on remaining issues were still being held under United Nations auspices several years later.

That said, the issue emerged strongly in the spring of 2008 when FYROM was moving toward accession to the ***European*** Union and NATO. Greece, which is a member state of both organizations and holds the power of veto, has strenuously objected to FYROM's accession, again on the basis of the "name" controversy, objecting to new forms of the country's name. On the other hand, FYROM has said that it has gone the extra mile in trying to assuage Greece's anxieties over the issue by changing its flag and amending its constitution to make clear that it held no territorial aspiration against any neighbors, including Greece. Nevertheless, in March 2008, Greece blocked FYROM's bid to join NATO over the ongoing controversy.

Special Entry:

Global credit crisis; effects felt in Europe

Summary:

A financial farrago, rooted in the credit crisis, became a global phenomenon by the start of October 2008. In the United States, after failure of the passage of a controversial bailout plan in the lower chamber of Congress, an amended piece of legislation finally passed through both houses of Congress. There were hopes that its passage would calm jitters on Wall Street and restore confidence in the country's financial regime.

However, a volatile week on Wall Street followed, most sharply characterized by a precipitous 18 percent drop of the Dow Jones. With the situation requiring rapid and radical action, a new proposal for the government to bank stakes was gaining steam. Meanwhile, across the Atlantic in Europe, with banks also in jeopardy of failing, and with no coordinated efforts to stem the tide by varying countries of the ***European*** Union, there were rising anxieties not only about the resolving the financial crisis, but also about the viability of the ***European*** bloc.

Nevertheless, ***European*** leaders were able to forge an agreement aimed at easing the credit crunch in that region of the world. Following is an exploration, first, of the situation in the United States, and, second, of the situation unfolding in Europe.

Report:

On Sept. 28, 2008, as the United States was reeling from the unfolding credit crisis, Europe's banking sector was also hit by its own woes when the Dutch operations of the ***European*** banking and insurance entity, Fortis, was partly nationalized in an effort to prevent its ultimate demise. Radical action was spurred by anxieties that Fortis was too much of a banking and financial giant to be allowed to fail. The Netherlands, Belgium and Luxembourg forged an agreement to contribute more than 11 billion euros (approximately US$16 billion) to shore up Fortis, whose share price fell precipitously due to worries about its bad debts.

A day later, the mortgage lender -- Bradford and Bingley -- in the United Kingdom was nationalized when the British government took control of the bank's mortgages and loans. Left out of the nationalization scheme were the savings and branch operations, which were sold off to Santander of Spain. Earlier, the struggling mortgage lender, Northern Rock, had itself been nationalized. The head of the British Treasury, Alistair Darling, indicated that "big steps" that would not normally be taken were in the offing, given the unprecedented nature of the credit crisis.

On the same day, financial woes came to a head in Iceland when the government was compelled to seize control of the country's third-largest bank , Glitnir, due to financial problems and fears that it would go insolvent.

Iceland was said to be in serious financial trouble, given the fact that its liabilities were in gross excess of the country's GDP. Further action was anticipated in Iceland, as a result.

On Sept 30, 2008, another ***European*** bank -- Dexia -- was the victim of the intensifying global banking and financial crisis. In order to keep Dexia afloat, the governments of France, Belgium, and Luxembourg convened talks and agreed to contribute close to 6.5 billion euros (approximately US$9 billion) to keep Dexia from suffering a demise.

Only days later, the aforementioned Fortis bank returned to the forefront of the discussion in Europe. Belgian Prime Minister Yves Leterme said he was hoping to locate a new owner with the aim of restoring confidence in Fortis, and thusly, preventing a further downturn in the markets. Leterme said that the authorities were considering takeover bids for the Belgian operations of the company (the Dutch operations were nationalized as noted above.)

By Sept. 5, 2008, one of Germany's biggest banks, Hypo Real Estate, was at risk of failing. In response, German Chancellor Angela Merkel said she would exhaust all efforts to save the bank. A rescue plan by the government and banking institutions was eventually agreed upon at a cost of 50 billion euros (approximately US$70 billion). This agreement involved a higher cost than was previously discussed.

Meanwhile, as intimated above, Iceland was enduring further financial shocks to its entire banking system. As such, the government of Iceland was involved in intense discussions aimed at saving the country's financial regime, which were now at severe risk of collapse due to insolvency of the country's commercial banks.

Meanwhile, on Sept. 4, 2008, the leaders of key ***European*** states -- United Kingdom, France, Germany, and Italy -- met in the French capital city of Paris to discuss the financial farrago and to consider possible action. The talks, which were hosted by French President Nicolas Sarkozy, ended without consensus on what should be done to deal with the credit crisis, which was rapidly becoming a global phenomenon. The only thing that the four ***European*** countries agreed upon was that there would not be a grand rescue plan, akin to the type that was initiated in the United States. As well, they jointly called for more greater regulation and a coordinated response. To that latter end, President Nicolas Sarkozy said, "Each government will operate with its own methods and means, but in a coordinated manner."

This call came after Ireland took independent action to deal with the burgeoning financial crisis.

Notably, the Irish government decided days earlier to fully guarantee all deposits in the country's major banks for a period of two years. The Greek government soon followed suit with a similar action. These actions by Ireland and Greece raised the ire of other ***European*** countries, and evoked questions of whether Ireland and Greece had violated any ***European*** Union charters. An investigation by the ***European*** Union was pending into whether or not Ireland's guarantee of all savings deposits was anti-competitive in nature.

Nevertheless, as anxieties about the safety of bank deposits rose across Europe, Ireland and Greece saw an influx of new banking customers from across the continent, presumably seeking the security of knowing their money would be safe amidst a financial meltdown.

And even with questions rising about the decisions of the Irish and Greek government, the government of Germany decided to go down a similar path by guaranteeing all private bank accounts. For his part, British Prime Minister Gordon Brown said that his government would increase the limit on guaranteed bank deposits from £35,000 to £50,000.

In these various ways, it was clear that there was no concurrence among some of Europe's most important economies. In fact, despite the meeting in France, which called for coordination among the countries of the ***European*** bloc, there was no unified response to the global financial crisis. Instead, that meeting laid bare the divisions within the countries of the ***European*** Union, and called into question the very viability of the ***European*** bloc.

Perhaps that question of viability would be answered at a forthcoming G8 summit, as recommended by those participating in the Paris talks.

A week later, another meeting of ***European*** leaders in Paris ended with concurrence that no large institution would be allowed to fail. The meeting, which was attended by leaders of euro ***zone*** countries,

resulted in an agreement to guarantee loans between banks until the end of 2009, with an eye on easing the credit crunch. The proposal, which would apply in 15 countries, also included a plan for capital infusions by means of purchasing preference shares from banks.

The United Kingdom, which is outside the euro ***zone***, had already announced a similar strategy.

French President Nicolas Sarkozy argued that these unprecedented measures were of vital importance. The French leader said, "The crisis has over the past few days entered into a phase that makes it intolerable to opt for procrastination and a go-it-alone approach."

He also tried to ease growing frustration that such measures would benefit the wealthy by explaining that the strategy would not constitute "a gift to banks."

While these developments were aimed at restoring confidence in the financial regime in Europe, Iceland continued to struggle. Indeed, the country's economy stood precipitously close to collapse. Three banks, including the country's largest one -- Kaupthing -- had to be rescued by the government and nationalized. Landsbanki and Glitnir had been taken over in the days prior. With the country in a state of economic panic, trading on the OMX Nordic Exchange was suspended temporarily, although it was expected to reopen on October 13, 2008. Iceland's Prime Minister Geir Haarde said that his country was considering whether to seek assistance from the International Monetary Fund to weather the crisis.

In early 2009, according to the ***European*** Commission, ***European*** banks were in need of as much as several trillion in bailout funding. Impaired or toxic assets factored highly on the ***European*** Union bank balance sheets, with credit default swaps on Irish debt running at 355 basis points higher at the time of writing -- the highest rate in Europe and well on its way down the path of Iceland. Anxieties were so high in Dublin that tens of thousands of people took to the streets to protest the growing financial crisis.

Meanwhile, the fallout from the housing bubble was deleteriously affecting the United Kingdom, with anxieties being stoked about whether British banks could at all be saved.

In Spain, unemployment was in double digit territory and industrial production plunged 20 percent from where it was a year earlier. It was anticipated that credit default swaps for Spain, Portugal, Italy and Greece would double over the course of the next year. In other parts of Europe, according to economist Nouriel Roubini, the economies of Ukraine, Belarus, Hungary, Latvia and Lithuania appeared to be on the brink of disaster.

Regarding Ukraine, there were fears that it would might not abide with terms of a loan from the International Monetary Fund and thusly default on its debt. Meanwhile in Poland, the currency was falling and in Russia, even as the rouble fell, the Kremli warned of economic contraction.

Overall, Eastern ***European*** countries borrowed heavily from Western ***European*** banks. Thus, even if the currencies on the eastern part of the continent collapse, effects will be felt in the western part of Europe as well. For example, Swiss banks that gave billions of credit to Eastern Europe cannot look forward to repayment anytime soon. As well, Austrian banks have had extensive exposure to Eastern Europe, and can anticipate a highly increased cost of insuring its debt.

German Finance Minister Peer Steinbrueck has warned that as many as 16 ***European*** Union countries will require assistance. Indeed, his statements suggest the need for a regional rescue effort. Of consideration is the fact that, according to the Maastricht Treaty, state-funded bailouts are prohibited.

By the close of February 2009, it was announced that the banking sectors in Central and Eastern Europe would receive a rescue package of $31 billion, via the ***European*** Bank for Reconstruction and Development (EBRD), the ***European*** Investment Bank (EIB) and the World Bank. The rescue package was aimed at assisting the survival of small financial institutions and included equity and debt financing, as well as access to credit and risk insurance aimed at encouraging lending.

Also in February 2009, with the global financial crisis intensifying, leaders of ***European*** Union countries backed sweeping financial regulations. Included in the package of market reforms were sanctions on tax havens, caps on bonus payments to management, greater hedge fund regulation, and increased influence by the International Monetary Fund. ***European*** leaders also backed a charter of sustainable economic activity, that would subject all global financial activities to both regulation and accountability by credit rating agencies.

These moves were made ahead of the Group of 20 summit scheduled for April 2, 2009, in London. It was not known whether other countries outside Europe, such as the United States, Japan, India and China, would support the new and aggressive regime of market regulation. That said, German Chancellor Angela Merkel said in Berlin that Europe had a responsibility to chart this track. She said, "Europe will own up to its responsibility in the world."

Recent Developments

In the spring of 2008, Greece was gripped by public sector strikes and other forms of mass action, aimed at protesting the government's pension reform plan. Despite the public's outcry over the proposed reform proposal, the Greek parliament narrowly passed the legislation oriented toward putting the plan into action.

In October 2008, further strikes and mass action ensued by both public sector employyes and professionals in reaction to proposals for privatization and caps on compensation.

The start of December 2008 in Greece was marked by violence as masses took to the streets in Athens to protest the shooting death of a youth -- Alexandros Grigoropoulos -- by police. Students took to the streets, even throwing gas bombs, rocks and stones at a police station during more than a week of ongoing violence.

Police retaliated with tear gas but the crowds were only deterred temporarily, rallying again to set three banking institutions ablaze and damaging cars. About 400 people were detained as a consequence of the chaotic situation on the ground, which also resulted in injuries to at least 70 people. As the protests entered mid-December, an uneasy calm returned to Athens. That said, student protestors said they intended to launch a demonstration outside police headquarters.

By mid-month, the situation was ongoing and Athens continued to be the site of further violent clashed between protestors and police. The protestors, most of whom were youthful students, were using the National Technical University of Athens, known locally as the Polytechnic, as their base of operations.

Meanwhile, the general sentiment in Greece was that the protests, which began in reaction to the shooting of Grigoropoulos by police, had evolved into a broader social uprising. Of particular note was the fact that a substantial number of the young people involved in the protests were unemployed and further unrest could be in the offing, with more loss of jobs anticipated in 2009.

The situation had political implications for the government of Prime Minister Kostas Karamanlis, which was viewed as having handled the situation poorly, according to polling data on the matter.

Seizing upon the popular sentiment of discontent, George Papandreou, the leader of the opposition Pan-Hellenic Socialist Movement (Pasok), called for fresh elections. He accused the government of being "incapable of steadily driving the country towards change." For his part, Prime Minister Karamanlis rejected calls for either his resignation or early elections. Instead, he said that Greece was in need of a "steady hand" to deal with the economic strife.

Primer on 2009 Parliamentary Elections in Greece

Background

On Sept. 2, 2009, Greek Prime Minister Costas Karamanlis announced that a snap general election would be held in the near future. The Greek head of government said he would meet with President Karolos Papoulias to discuss this decision to hold early elections ahead of the expected 2011 date when the tenure of his ruling conservative New Democracy government would normally come to an end. A day later, it was announced that the snap election would be held a month later on Oct. 4, 2009.

Prime Minister Karamanlis explained that his decision to call the snap election was "an act of responsibility," and it had been advanced in the country's best interest. Prime Minister Karamanlis said that Greece was in need of significant reforms to deal with the after-effects of the 2008 global financial crisis, as well as enduring challenges in the domestic economy and public sector. Indeed, Greece has seen a sharp rise in its unemployment rate, negatively matched by declining economic growth, in recent times -- both of which Prime Minister Karamanlis said had been the result of the previous Socialist government's mismanagement. Accordingly, the Greek head of government called for strict fiscal discipline, structural reforms, and a "war" on tax evasion -- a problem that has plagued the country and added to its economic woes. Prime Minister Karamanlis wasted no time in calling for the public to give his party a "fresh mandate" to address these issues.

Some critics surmised that despite this noble agenda, the Karamanlis government was under pressure due to a number of scandals and criticisms for handling various crises, and was thusly acquiescing to the call for an early vote. Complicating the matter was the fact that Socialist leader George Papandreou was agitating for another early poll. He said he wished to force an early presidential election.

Election Issues

The main issue surrounding the election was the path to dealing with Greece's economic challenges. Whereas Karamanlis advanced an austerity measure program to tackle this issue, Papandreou promised a significant stimulus package, movement toward the building of a green economy, and the introduction of technocratic experts to help Greece tackle its problems.

Polling Data

Polling data indicated that Karamanlis' conservative New Democracy party was trailing the Socialists by six percent in the month ahead of the election.

Results

After the votes were counted following the October 4, 2009 parliamentary elections, it was clear that Greece's Panhellenic Socialist Movement (Pasok) had won the country's snap general elections. The results showed that the Socialists garnered more than 43 percent of the vote count, while New Democracy obtained 35 percent. The Communist Party of Greece (KKE) remained as the third largest party in parliament, winning 7.6 percentage of the vote. The right People's Orthodox Rally (LAOS) was estimated to have received 5.6 percent of the vote.

The

Coalition of the Radical Left (SYRIZA) was expected to garner 4.5 percent of the vote.

While the Green Ecologists party secured 2.5 percent of the votes, it would not enter parliament due to the three percent threshold required by electoral law.

Outgoing Prime Minister Costas Karamanlis conceded defeat, resigned as leader of the conservative New Democracy party, and congratulated Socialist leader, George Papandreou. In this way, the Socialists ended their five-year stay in opposition and prepared to take the reins of government once again. In an address to jubilant supporters in Athens, Papandreou said: "We stand here united before the great responsibility which we undertake."

Days after the election, Socialist leader, was sworn into office as Greece's new prime minister by Archbishop Ieronymos of Athens and All Greece, and in the presence of President Karolos Papoulias. The new head of government paid tribute to the contributions of his predecessor, Costas Karamanlis. For his part, Karamanlis congratulated Papandreou and wished him "all the best for the benefit of the country."

The process of government formation was expected to follow with Prime Minister Papandreou's impending announcement of the composition of the new cabinet. To that end, the new head of government noted that the cabinet would be both small and include several women. Attention was also focused on the leadership race for the New Democracy party, which was now officially in opposition.

Weeks later, the incumbent Greek President Karolos Papoulias was asked by newly-elected Prime Minister George Papandreou to serve a second term as Greece's head of state. In response, Papoulias said, "I accept the nomination for my re-election to the Presidency of Greece." With both the ruling PASOK party and the main opposition New Democracy party backing Papoulias' second term, the actual parliamentary vote in March 2010 was expected to formalize the second term in office.

Briefing on 2010 Presidential Election in Greece

On February 3, 2010, Greek President Karolos Papoulias was re-elected to a second term in an internal vote in parliament with an overwhelming majority. Papoulias won 266 of the votes cast in the 300-seat parliament. The incumbent president was supported by the ruling Panhellenic Socialist Movement (PASOK), the main opposition

New Democracy (ND), as well as some smaller opposition parties. Parliamentarians belonging to the Communist Party of Greece (KKE) and the Coalition of the Radical Left abstained from the vote.

Note: Papoulias was born in 1929 and served as a former government minister and member of parliament.

Special Entry on Greece's Debt Crisis

Summary:

Since late 2009, attempts to resolve Greece's economic crisis have been at the forefront of the national agenda. There have also been serious concerns about Greece's economic viability on the regional landscape across Europe and internationally. At issue have been deep anxieties about Greece defaulting on its debt, along with subsequent speculation about whether the ***European*** Union (EU) and the International Monetary Fund (IMF) would have to step in to prevent such an outcome. By April 2010, the prospects of Greece resolving the matter without help from some transnational body came to a head when the Papandreou administration formally said it would accept the EU-IMF financial rescue package to ensure debt service.

Crisis Landscape:

In December 2009, the new Greek head of government, Prime Minister George Papandreou, announced a series of harsh spending cuts in order to address the country's economic woes. He warned that without action such as a hiring freeze on public sector jobs, closure of overseas tourism offices, and decreased social security spending, Greece was at risk of "sinking under its debts." He also said that his country had "lost every trace of credibility" on the economic front and would have to "move immediately to a new social deal."

Fears of a government debt default in Europe emerged in the first week of February 2010, with all eyes focused on Greece. Of concern was the rising cost of insuring Greek debt against default, and fears were rising that a bailout by the International Monetary Fund might be in the offing.

For its part, the Greek government pledged to reduce its budget deficit by three percent of gross domestic product by 2012. That move was welcomed by the ***European*** Commission but met with the threat of strikes by Greece's largest union, which has railed against the prospect of austerity measures. By Feb. 10, 2010, the strike by the country's largest public sector union in Greece was going forward. Simultaneously, Prime Minister George Papandreou promised to "take any necessary measures" to reduce Greece's deficit including a freeze on public sector pay, increased taxes and the implementation of changes to the pension system.

The next day, leaders of the ***European*** Union said that while Greece had not asked for assistance, they stood ready to help ensure stability within the euro ***zone***. A statement issued from a summit in Brussels read as follows: "We fully support the efforts of the Greek government and their commitment to do whatever is necessary, including adopting additional measures to ensure that the ambitious targets set in the stability program for 2010 and the following years are met." The statement, however, did not specify the nature of such support although there were indications that a loan might be in the offing. Following a meeting of ***European*** leaders on Feb. 11, 2010, Austria's Chancellor Werner Faymann explained the need to support fellow ***European*** Union member states saying, "It is important to have solidarity." However, he added, "We are not going to give the money as a present, it will be as loans."

Only a few days later, however, the news emerging from Europe was more grim as regards to Greece's situation. As reported by the British publication, the Telegraph, the council of ***European*** Union finance ministers issued an ultimatum to Greece, warning that if that country did not comply with austerity measures by March 16, 2010, it would lose sovereign control over its tax and spend policies. The council also warned that the ***European*** Union would invoke Article 126.9 of the Lisbon Treaty to take control from Athens and impose requisite cuts. This threat was likely to have more of a practical effect on Greece than an earlier move by the ***European*** Union to suspend Greece's voting rights, although both measures indicated a severe blow to Greek sovereignty within the ***European*** bloc. From the point of view of the ***European*** Union, the verdict was that Greece's austerity plan contained insufficient spending cuts and uncoordinated measures, and compelled the need for such drastic action.

Perhaps not surprisingly, Greece took a different view. Greek Finance Minister George Papaconstantinou argued that his country was "doing enough" to reduce its public deficit from 12 percent to eight percent of GDP in 2010 by undertaking emergency fiscal cuts.

Accordingly, Greece has also been reticent about taking further austerity measures, such as an increase in the value added tax or VAT, as well as further public sector wage cuts, which the ***European*** Central Bank has said might be necessary. But the rest of Europe was unlikely to receive Greece's claims on faith alone, given the emerging revelations that Wall Street likely helped Greece hide its balance sheets problem for the purpose of advancing euro ***zone*** accession.

By the third week of February 2010, as talks in Brussels commenced about the financial crisis in Greece, there was no consensus on the possible path toward helping stabilize the situation in that country. In fact, member states of the ***European*** Union appeared divided on the issue. Germany has said it wants to protect its own financial interests by constructing a "firewall" to prevent Greece's debt crisis from spiraling out of control. It was not known if that "firewall" was distinct from, or an actual euphemism for, a bailout for Greece funded by German funds. Certainly, Germany has been careful not to expressly state that it supports some sort of bailout measure for Greece, under the aegis of the ***European*** Union , using Germany funds. Indeed, Berlin would have to contend with an outraged domestic reaction, as well as a resistant coalition partner in government whose libertarian inclinations would leave them far from sanguine about such a move.

At the start of March 2010, in the face of pressure from the ***European*** Union, the Greek government agreed to a new package of austerity measures, including tax increases and spending cuts, aimed at resolving the budget crisis. The new package was met with approval from the ***European*** Union and the International Monetary Fund, who respectively hailed the move as evidence that Greece was taking necessary measures to reduce its precarious debt. The reactions of these two bodies were regarded as crucial, since Greece was hoping for German-funded assistance from the ***European*** Union, with the International Monetary Fund in line as an alternative avenue of assistance.

Nevertheless, since the measures included reductions in holiday bonuses paid to civil servants as well as a pension freeze, it effectively raised the ire of public sector workers and trade unions. From their point of view, the financial package would exact a punishing toll on the workers of the country. Not surprisingly, the country was hit by strikes with workers angrily protesting the deficit-cutting government measures detailed above. With schools closed, public transportation, flights and ferries at a halt, and garbage left uncollected, it was clear that the strike was in full-force. On the streets of Athens, striking workers registered discontent, while riot police were deployed across the city.

Regional Considerations:

Also at issue have been the fiscal challenges of Portugal and Spain, which like Greece, have to contend with debt and weakened public finances. One challenge for Spain is the fact that the central government (leaving the social security administration aside) controls only one third of public sector spending. Accordingly, while the central government can set guidelines for the regional and municipal authorities, it has a fairly limited effect on overall fiscal policy. In Portugal, the government does not command a majority in parliament, effectively complicating the process of implementing fiscal policies, and necessitating broad national consensus on the matter of the country's economic health. Ireland, like Greece, suffers from budget deficits that exceed 12 percent of their economic output. However, Ireland's record in navigating difficult economic times (late 1980s, early 1990s) was believed to be in that country's favor.

Thusly, at the broader level, the ***European*** Union has been faced with the moral hazard of having to consider going down a similar path with Spain and Portugal, not to mention other ***European*** countries. Clearly, the ***European*** Union had no appetite for such a precedent being set in Greece. Not surprisingly, non-euro ***zone*** ***European*** Union members, such as the United Kingdom and Sweden, were recommending the International Monetary Fund route. They argued that an entity such as the IMF possessed the technocratic acumen and experience to orchestrate and supply a loan bailout to Greece.

Meanwhile, the Fitch ratings agency decided to downgrade Greece's credit rating two notches amidst anxieties that the country will be unable to solve its financial farrago without assistance from external parties.? The downgrade was significant since Greece was now at risk of losing its investment grade status, at least according to Fitch.? Greece retains marginally higher ratings with Moody's and Standard and Poor's. Earlier, Portugal's credit rating was also downgraded by the Fitch ratings agency over concerns regarding its debt woes.? Ironically, the move by Fitch came weeks after Portugal passed an austerity budget aimed at reducing its high budget deficit.? At the broader level, the decision to downgrade the credit ratings of both Greece and Portugal, along with attention on the possible rescue package for Greece,? renewed anxieties about the? problem of heavily indebted economies across the continent.

The situation in these ***European*** countries -- specifically on their debt burdens -- has focused attention concomitantly on the ***European*** Union where countries of the euro ***zone*** share currency but not economic policies, and whose collective fates would be affected by a devalued euro. Indeed, the euro itself has seen its value slide as a result of rising economic anxieties, and questions have once again surfaced regarding its viability.

Last Resort:

By late March 2010, a proposal was advanced to address Greece's debt crisis. The rescue package proposal was intended to be a last resort for Greece, should that country fail to borrow sufficient funds under normal conditions. It would require all euro ***zone*** countries to vote unanimously to fund individual loans to Greece, although not all countries would be required to contribute. No actual dollar amount was specified for the possible rescue package although there were suggestions that it would be valued at around 22 billion euro, with the lion's share of the funding being derived from the ***European*** Union (EU), and a small remained from the International Monetary Fund (IMF).

On April 10, 2010, euro ***zone*** countries agreed to fund up to 30 billion euros -- above the amount originally envisioned -- in emergency loans for debt-hit Greece.? The price of the loans would be about five percent and in line with IMF formulas. The loans would not be activated by the euro ***zone***; instead, it would be up to Greece to decide whether or not to avail itself of the funds, which would be co-financed by the IMF, although to what degree was unknown. For its part, Greece has said it does not want to go down the road of such loans, preferring to auction treasury bills. Greece was hoping that the very notion of an EU-IMF rescue package would ease volatile markets and advance an economic recovery, without actually having to activate the loans. However, such a path was viewed as potentially unavoidable, given the fact that Greece has no choice but to finance its debt obligations. As well, there have been the wider considerations at play -- that is, the impact on markets across Europe and the confidence in the euro.

By the close of April, 2010, Greece officially requested that the EU-IMF "last resort" loan package be activated, in order to deal with its debt-ridden economy and to prevent the unacceptable outcome of default by a sovereign ***European*** country. The EU and IMF responded by noting that they believed the details of the rescue plan could be worked through quickly. That being said, since much of the funding for the package will go through the EU, several eurozone countries will have to ratify the use of funds. For example, France would have to garner parliamentary approval for its contribution to Greece's rescue package. In Germany, where -- as discussed above -- the political ramifications of such a plan were expected to be pronounced -- German Chancellor Angela Merkel was warning that there would be "very strict conditions" attached to her country's contribution of assistance.

As well, it was still to be determined how much the IMF would itself finance, along with interest rates by both the IMF and EU. With such hurdles yet to be crossed, it was unlikely that Greece would be in receipt of the much-needed funds until the second week of May 2010.

Meanwhile, Prime Minister George Papandreou was expressing confidence in the path going forward. Speaking from the Aegean island of Kastellorizo, he said: "Our partners will decisively contribute to provide Greece the safe harbor that will allow us to rebuild our ship." But the Greek people were not easily assuaged by these words or the EU-IMF rescue package. Instead, they were still railing against the austerity measures ***enacted*** by the Greek government with tens of thousands of Greek civil servants taking to the streets to participate in mass strike.

Further reluctance by Germany to to fund the largest portion of the rescue package for Greece did not help the situation. In fact, with Greece acknowledging that it cannot service its forthcoming debt obligations without the EU-IMF loan, plus the realization that German funds will likely not come quickly, there were escalating fears that Greece could well default by May 19, 2010 -- a significant deadline when billions in bond payments would be due. Although Greek Finance Minister George Papaconstantinou insisted his country would "absolutely and without any doubt" service that debt, prevailing anxieties led another credit rating downgrade for Greece. Indeed, Standard and Poors downgraded Greece's credit rating to junk status. That move, in addition to a slight downgrade to Portugal's debt on the basis of heightened risks, renewed attention to euro ***zone*** stability.

Regional Considerations as regards the euro

In May 2010, the ***European*** Union (EU) agreed on a euro stability package valued at 500 billion euros, aimed at preventing the aforementioned Greek debt crisis from deleteriously affecting other countries in the region. Countries within the EU's euro ***zone*** would be provided access to loans worth 440 billion euros and emergency funding of 60 billion euros from the EU. As well, the International Monetary Fund (IMF) would earmark an additional 250 billion euros. The ***European*** Commission would raise the funds in capital markets, using guarantees from the governments of member states, for the purpose of lending it to countries in economic crisis.

In addition, it was announced that the ***European*** Central Bank (ECB) was prepared to participate in exceptional market intervention measures, such as the purchase of euro ***zone*** government bonds, for the purpose of shoring up the value and viability of the euro currency.

These moves were aimed at defending the euro, which has seen its value drop precipitously as a result of the Greek debt crisis has gone on, and as anxieties have increased that a similarly disastrous fate could spread to other EU member states, such as Portugal, Spain, Italy and even Ireland.

These mostly southern ***European*** economies were plagued not only by high deficits but also inherent structural economic weakness.

But even these overtures, as drastic as they might appear, would do little to address Europe's soaring public debt, according to some economic analysts. Indeed, among this core of economists, the argument resided that this rescue package could actually exacerbate the situation. Of concern has been the collective impact of low economic growth, high unemployment, and governments unwilling to take requisite austerity measures to not only decrease spending but also increase productivity. Rather than relying on heavy government spending to spur growth, governments in euro ***zone*** countries have opted to decrease their debt levels -- or at least to make the promise of moving in that direction. However, another core of economic analysts has argued that too much debt reduction -- without government stimulus -- could itself stymie economic growth. To this latter end, Daniel Gros of the Center for ***European*** Policy Studies warned that "the patient is dead before he can get up and walk."

Meanwhile, the economic crisis in Europe was spreading to the domestic political sphere in Germany. With the German cabinet of Chancellor Merkel poised to approve that country's part in the euro rescue deal, German voters issued a punishing blow to Merkel's conservatives in the state elections in North Rhine-Westphalia. The voters' reaction appeared to register discontent over the German federal government's decision. Germans, according to polling data, were already incensed over funding of the bail out plan for Greece.

That separate package was also approved by the government and parliament.

Vulnerable countries take action:

In a move aimed at addressing its troubling debt, the Spanish government on May 20, 2010, approved an austerity plan. The move was also aimed at soothing fears that Spain would devolve into the same type of

debt crisis that had gripped Greece, with deleterious consequences for the value of the euro and the stability of the entire euro ***zone***. A month later in June 2010, the head of the International Monetary Fund, Dominique Strauss-Kahn, was hailing Spain for taking corrective measures to move the country on the path toward economic stability. However, as was the case in Italy (see below) and Greece, the citizenry and unions were railing against the harsh actions.

Italy moved on May 25, 2010 to address its debt challenges by launching its own austerity program on the heels of Spain doing the same. Like Spain, Italy wanted to hold the confidence of international investors and prevent sliding into a Greek-style debt crisis. To these ends, the Italian government of Prime Minister Silvio Berlusconi approved austerity measures worth 24 billion euros for the years 2011-2012.

Ultimately, Italy's government was hoping to reduce its deficit down to below three percent of GDP by 2012. In response, Italian unions took to the streets in protests. Indeed, Italian civilians, particularly those from the public sector, were expected to rail against these moves.

Special Report

Letter bombs in Greece sent to embassies and foreign governments

In the first week of November 2010, a series of letter bombs were sent to embassies in Greece as well as some foreign government, prompting the Greek authorities to stop deliveries of foreign mail. More than a dozen such incidences occurred during this period. In one case, a letter bomb dispatched to the French embassy in Athens had to be safely detonated after an explosive device was found hidden in a book. In another case, a courier was injured when a bomb exploded in her hands. Devices were found at the embassies of Switzerland and Russia. Bombs were earlier mailed to French President Nicolas Sarkozy, German Chancellor Angela Merkel, Italian Prime Minister Silvio Berlusconi, and the International Criminal Court in The Hague.

Since the level of explosives contained in the devices was small, the consensus was that the mailed bombs were not intended to fatally kill anyone. Nevertheless, two Greek men were arrested and charged with terrorism, belonging to a criminal organization, and possession and use of bombs and explosives in regard to the dispatching of these letter bombs. It was believed that they were members of a far-left extremist organization carrying out domestic terrorism. To this end, Greek Foreign Minister Dimitris Droutsas said, "All evidence shows this is a clear domestic case, with no connection with international terrorism."

On December 23, 2010, mail bombs exploded at the Swiss and Chilean embassies in Rome. Two employees of the respective embassies were seriously injured as a result. Concerns about security reached new highs at diplomatic missions across Europe since only a month prior, mail bombs targeted embassies in the Greek capital of Athens. Suspicions rested on anarchists, with authorities suggesting a connection between Italian and Greek anarchists in regard to the spate of mail bomb attacks.

Political Update:

On November 7, 2010, following a favorable outcome in local Greek elections, Greek Prime Minister George Papandreou ruled out the possibility of calling a snap parliamentary election. The local elections were regarded as something of a referendum on the handling of the dire state of the Greek economy by Papandreou's socialist party (PASOK). Elected only a year prior, PASOK has been beset by policy challenges as Greece has tried to survive devastating economic conditions, on the brink of default, and requiring both harsh austerity measures and assistance from the ***European*** Union. With the local elections ending without massive losses for PASOK, the Greek prime minister was interpreting the election results as measured approval from the Greek citizenry. To that end, Papandreou said, "Today voters confirmed their will for change. We will continue our work." Indeed, he was making it clear that his government had a mandate to move forward with necessary budget cuts, austerity measures and related reforms, and accordingly, there was no need to call snap elections.

In mid-December 2010, Greek protesters took to the streets in the Greek capital of Athens to register their anger regarding the government's austerity measures. Those measures, that included caps of salaries of workers in state-run entities, were ***enacted*** as part of the economic reform agenda, associated with a massive bailout package funded by the ***European*** Union and International Monetary Fund. That bail-out package was intended to save Greece from default. A general strike was also taking place with transportation at a standstill, schools closed, and flights grounded at Greek airports. The protests and general strike had been organized by labor unions; they grew violent as demonstrators threw petrol bombs at buildings close to the parliament and set luxury hotels ablaze. As well, one former conservative government minister, Kostis Hatzidakis, was attacked by an angry mob screaming "Thieves! Shame on you!" The violent clashes resulted in Greek police using tear gas to try to disperse the crowds.

In February 2011, Greek protesters took to the streets in the Greek capital of Athens in a 24-hour general strike. The protesters, numbering more than 30,000 in total, rallied toward the parliament building. At issue for the protesters has been their anger over the government's austerity measures. Those measures, which included caps of salaries of workers in state-run entities, were ***enacted*** as part of the economic reform agenda, associated with a massive bailout package funded by the ***European*** Union and International Monetary Fund. That bail-out package was intended to save Greece from default. The protests and general strike had been organized by labor unions; they grew violent as demonstrators threw petrol hurled petrol bombs and stones, prompting police to respond with the firing of tear gas. Meanwhile, the city public transport system was left paralyzed, at least 100 flights were cancelled, and schools, hospitals and businesses were forced to close. The deputy leader of one of Greece's most important unions, Stathis Anestis, said in an interview with the Associate Press that the government measures were disproportionately hurting working people. He said, "We are facing long-term austerity, with high unemployment and destabilizing our social structure." He also promised that mass actions of this sort would not only continue but increase. Anestis said, "What is increasing is the level of anger and desperation... If these harsh policies continue, so will we."

Special Report:

The Greek Debt Crisis and Effects on the Euro ***Zone***

Summary:

An ongoing debt crisis has plagued Greece, leading to the need for a rescue plan from the ***European*** Union and the International Monetary Fund, with an eye on averting sovereign default. In a separate but related development, the euro ***zone*** approved an expansion of the euro bailout fund, breathing life into the ***European*** Financial Stability Facility (EFSF). Despite agreeing to the debt relief package and the expansion of the EFSF, though, the ***European*** Union has not been quick to agree to the release of rescue funds for Greece, as concerns have risen about that country meeting necessary conditions -- the implementation of austerity measures and reforms -- associated with the relief package. To that end, Greek Prime Minister George Papandreou initially advanced the idea of a national referendum aimed at ratifying the debt relief plan. However, with the angry and outraged Greek citizenry unlikely to ratify the plan, the prime minister ultimately withdrew the referendum idea. Prime Minister Papandreou also resigned from office, and made way for the formation of a national unity government, tasked with pushing through the necessary legislation to implement austerity measures and reforms, and securing a further tranche of rescue funds aimed at averting default. Without the enactment of the debt relief plan, Greece would fail to service its debt commitments -- essentially defaulting on its sovereign debt, yielding to deleterious effects for the euro ***zone*** and ***European*** banks. At the international level, there could be a seriously damaging influence on the global economy.

In the backdrop of these developments remain the prevailing fears of contagion emanating from the Greek debt crisis, and extending to other countries, such as Italy and Spain in the euro ***zone***, and the global economy at large. Debt woes in Italy and Spain were already leading to political consequences.

Background:

In Greece, protesters were taking to the streets in strikes and mass action to register their rejection of the government's plan to implement austerity measures. Such measures were associated with the loans extended to Greece to prevent an ongoing debt and default crisis, which stands at the forefront of the national agenda in that country. At issue have been deep anxieties about the country of Greece defaulting on its debt, the rising cost of insuring Greek debt against default, along with subsequent speculation about whether the ***European*** Union (EU) and the International Monetary Fund (IMF) would have to step in to prevent such an outcome.

Fears of a government debt default in Europe emerged in the first week of February 2010, with all eyes focused on Greece. By April 2010, the prospects of Greece resolving the matter without help from some transnational body came to a head when the Papandreou administration formally said it would accept the EU-IMF financial rescue package to ensure debt service.

In May 2010, the ***European*** Union (EU) agreed on a euro stability package valued at 500 billion euros, aimed at preventing the Greek debt crisis from deleteriously affecting other countries in the region. Countries within the EU's euro ***zone*** would be provided access to loans worth 440 billion euros and emergency funding of 60 billion euros from the EU. As well, the International Monetary Fund (IMF) would earmark an additional 250 billion euros. The ***European*** Commission would raise the funds in capital markets, using guarantees from the governments of member states, for the purpose of lending it to countries in economic crisis.

In addition, it was announced that the ***European*** Central Bank (ECB) was prepared to participate in exceptional market intervention measures, such as the purchase of euro ***zone*** government bonds, for the purpose of shoring up the value and viability of the euro currency.

These moves were aimed at defending the euro, which has seen its value drop precipitously as a result of the Greek debt crisis has gone on, and as anxieties have increased that a similarly disastrous fate could spread to other EU member states, such as Portugal, Spain, Italy and even Ireland.

These mostly southern ***European*** economies were plagued not only by high deficits but also inherent structural economic weakness. The situation in such ***European*** countries focused attention concomitantly on the ***European*** Union where countries of the euro ***zone*** share currency but not economic policies, and whose collective fates would be affected by a devalued euro. Indeed, the euro itself had seen its value slide as a result of rising economic anxieties, and questions had once again resurfaced regarding its viability.

Events from May 2011-June 2011

A year later in May 2011, the Greek debt crisis was ongoing. Mass action, strikes, and protests had become regularized fare as Greek citizens railed against the requisite austerity measures to be implemented as part of the agreed up rescue package.

Indeed, May 2011 saw Athens in negotiations with the EU and the IMF to receive a fifth tranche of its rescue package, valued at 110 billion euros. Ahead of the meeting, the chairman of the body that makes up finance ministers in the euro ***zone***, Jean-Claude Juncker, warned that the latest installment of the bailout might not be advanced if Greece could not make the case for its solvency within the next year. The public's clear rejection of austerity measures -- manifest in the aforementioned mass action, strikes and demonstrations -- was not helping Greece to demonstrate that it could achieve this end.

Given this landscape, by the start of June 2011, the credit ratings agency, Moody's, downgraded Greece from B1 to Caa1 -- just short of default and indicated a 50 percent possibility that the country would default on its debt. Moody's explained that it was highly concerned about Greece's "highly uncertain growth prospects." In this way, Greece's credit rating had fallen in tandem with the rising fears that the country was not capable of stabilizing its debt burden in a timely fashion. Moody's additionally held its outlook for Greece in the negative column, indicating that further downgrades could be in the offing. Now, though, Greece was now located at the bottom of the Moody's ranking -- below Montenegro -- in a listing of Europe's credit-worthy countries. As mid-June 2011 approached, yet another credit ratings agency -- Standard & Poor's -- downgraded Greece from B to CCC, effectively pushing the country to the bottom of the list of the 131 monitored countries.

Faced with these emerging challenges, as well as the prevailing burden of debt servicing and ultimate solvency, attention refocused on strategies to address the crisis. One option that surfaced was the restructuring of Greece's debt. As suggested by Chairman Jean-Claude Juncker, repayments on Greece's shorter-term debt could be postponed, if lenders would agree to terms. This type of "debt re-profiling" would be voluntary and would not be classified as default by credit ratings agencies. The ***European*** Central Bank (ECB) has indicated that while typical restructuring schemes would be opposed, a voluntary debt re-profiling arrangement might be deemed acceptable.

Note that by the second week of June 2011, the Greek cabinet had backed budget cuts as part of a fiscal and structural adjustment program required by the ***European*** Union and the International Monetary Fund, as part of the conditions associated with the aforementioned rescue package. The plan would now have to be voted on in parliament; that vote was expected to take place by the end of the month (June 2011) -- the deadline specified for the next tranche of rescue loans to be made available.

Meanwhile, early June saw public sector unions take to the streets in a mass strike in protest of harsh austerity measures to come. By the second week of June, the anti-austerity riots continued with thousands of people involved in demonstrations. Syntagma Square in Athens was becoming "ground zero" of the protest movement. That being said, protest action was spread across other terrain. Ports and state-run companies were shut down, public transportation was disrupted, while banks and hospitals could only offer limited service. The scene eventually devolved into violent territory, forcing police to fire teargas to disperse crowds outside the parliament building. This scene erupted as members of parliament were about to debate the new fiscal and structural adjustment program (discussed above), which the Greek cabinet had already passed, and which was a required condition for the EU and IMF bail-out packages.

Further strike action was expected by protesters, self-termed "the Indignants," and calling for "resistance" ahead of the parliamentary vote.

At the political level, Greek Prime Minister George Papandreou was facing an all-out revolt from his own Socialist Party (known by the acronym, PASOK), the members of whom were reacting to the scene on the streets of Athens. In fact, at least one member of PASOK defected to the opposition to register his personal protest against the austerity measures, while another PASOK member warned that he intended to vote against him. Several other PASOK members of parliament were making it known that their votes were not assured. It was apparent that they were showing solidarity with "the Indignants" in the streets.

While the members of parliament were accountable to the citizens of the Hellenic republic, the fact remained that Greece -- as a sovereign state within the EU -- was itself accountable to the economic bloc of which it is a member. Understanding the gravity of the political situation and the potentially devastating economic fallout -- not only for Greece nationally, but for its standing in the EU, and the future of the euro -- Prime Minister Papandreou proposed the formation of a unity government, with an eye on passing the measures in the national interest. To this end, the prime minister convened talks with Greek President Karolos Papoulias, arguing passionately that "a national effort" was required at this "historically crucial moment" to resolve the situation. Prime Minister Papandreou, therefore, met with conservative New Democracy Party leader, Antonis Samaras, to discuss the possible formation of a power-sharing government. For its part, the conservatives demanded that Papandreou step aside and that the rescue package be renegotiated. While Prime Minister

Papandreou made it clear that he would be willing to resign as the head of government, the notion of a potentially protracted process of renegotiating the bail-out terms was viewed as untenable at a time of dire instability. Thus, the prime minister abandoned the idea of a unity government and instead announced that he would reveal a new cabinet. The new government, which could very well exclude Finance Minister George Papaconstantinou, the architect of unpopular austerity budget, would have to be ratified via a vote of confidence in the parliament.

Indeed, on June 17, 2011, as Prime Minister Papandreou unveiled his cabinet changes, it was apparent that Finance Minister Papaconstantinou would no longer be in that role; instead, outgoing Defense Minister Evangelos Venizelos would take on the finance portfolio. Having moved forward with a cabinet shuffle, Greek Prime Minister Papandreou was calling for "national accord" in parliament to address the crisis. In a speech to parliament, the Greek head of government said, "I have asked for a renewal of confidence in the government, because the country finds itself at a crucial point."

The move to appoint Venizelos as the new finance minister was geared toward assuaging the rising tide of discontent among the prime minister's party, PASOK; however, the elimination of Papaconstantinou was simultaneously delivering a negative message to the international ***community*** about Greece's ability to seriously and effectively tackle its economic problems. Venizelos statement that he would forge a deal with Greece's bail-out lenders that would allow Greece to implement a less painful reform package indicated that the incoming finance minister would be a weaker voice in the austerity thrust.

The crisis was seeping outside Greek borders as finance ministers of the euro ***zone*** failed to find concurrence on the measures associated with garnering contributions from private creditors towards a second Greek rescue package. Of concern was the potential destabilization of the financial markets as this process played out -- and failed -- in the Belgian capital in Brussels. Now other "secure" countries were being affected as news emerged that Moody's might downgrade some French banks -- BNP Paribas, Credit Agricole and Societe Generaledue -- due to their exposure to Greek debt. With an eye on calming the situation, the French government made it clear that its position was consistent with that of the ***European*** Central Bank (ECB), which warned that the German plan to convince bondholders to share part of the costs in a new Greek aid package could be risky and lead to default. It was also announced that French President Nicolas Sarkozy would meet with German Chancellor Angela Merkel on June 17, 2011, to address and resolve the matter.

On June 19, 2011, finance ministers of the euro ***zone*** were meeting in Luxembourg to discuss the anticipated approval of the latest tranche of funds associated with the EU/IMF rescue package for debt-ridden Greece.

The group was also expected to consider a second bail-out package for Greece. The new Greek finance minister, Venizelos, attended the meeting and said that his country was committed to meeting the targets of the EU/IMF agreement. In an interview with the media, Venizelos said, "It is a great opportunity for me to repeat the strong commitment of the Greek government and the strong will of the Greek people for the implementation of the program." That being said, recent surveys of the Greek citizenry suggested that the vast majority of Greeks at home were in fact opposed to the austerity measures associated with the rescue package and were increasingly saying that the country should just default. Of course, such a fate would increase exposure of other euro ***zone*** countries, increasing the possibility of default elsewhere in the region.

Note that as June entered its fourth week, the newly-shuffled Greek government was set for a confidence vote. To that end, the government indeed survived the vote with a comfortable majority.

Indeed, Prime Minister George Papandreou's new cabinet was approved by 155 votes to 143, with two abstentions. Another vote in parliament on the austerity budget had yet to transpire by the close of June 2011. Release of the EU/IMF rescue package funds would only be released if the austerity measures were passed into legislation in the parliament. Accordingly, the finance ministers of the euro ***zone*** postponed their decisions regarding the release of the funds as well as a second rescue package until after the anticipated vote. The new head of the IMF, Christine Lagarde, called on the Greek members of parliament to act to avoid default saying: "If I have a message this evening about Greece, it is a call to the Greek opposition... to join in national unity with the party which is currently in power. The country's destiny is at stake." Warning of global consequences, EU President Herman Van Rompuy said, "The coming hours will be decisive, crucial for the Greek people, but also for the euro ***zone*** and the stability of the world economy."

On June 28, 2011, ahead of the parliamentary vote on the austerity budget, thousands of people had gathered outside the parliamentary building as part of an anticipated mass strike. To that end, as before, transportation and other public services, hospitals, banks, and the Athens international airport, were all either closed down or severely curtailed. In a corner of Syntagma Square, the protest movement, which was intended to be a peaceful gathering, took a violent turn as anarchist youth dressed in black hoods hurled stones, bottles, debris, and even sledgehammers at police, who responded with tear gas and stun grenades. As well, protesters set mobile telecommunications transmitting vehicles were set ablaze, seemingly having been mistaken for being satellite television trucks. Members of trade unions tried to persuade anarchists to stop their violent actions and exit Syntagma Square; they argued that the violence only hurt the objectives of the protest movement. However, the scene had already devolved into some degree of chaos. Indeed, several people were injured in the fracas, including 20 police officers, while a number of demonstrators were detained by authorities.

With the vote in parliament set to go forward on June 29, 2011, regardless of the chaos in the streets, Greek Prime Minister Papandreou warned that without affirmative action, and further, without being able to secure new loans, the Greek national coffers would fall empty before long. Newly-installed Finance Minister Evangelos Venizelos admitted that the austerity measures were "unfair," but argued that there was no other alternative. Greece's Central Banker George Provopoulos warned that a negative vote against the austerity budget vote would constitute "suicide" for the country. But on the other side of the equation, the main opposition leader, Antonis Samaras of the New Democracy party, was not keen to assent to the austerity package as it stood (including tax hikes), saying that tax rates should be lowered in order to stimulate the economy. In addition to resistance from the opposition, Prime Minister Papandreou would also have to deal with the aforementioned revolt from within his own PASOK party.

Nevertheless, on June 29, 2011, when the much-anticipated vote on the austerity budget was held in parliament, the measure passed with a slim majority of 155 votes in its favor to 138 votes against it. Ultimately, only one member of parliament form the ruling PASOK party voted against the bill, although there were a handful of abstentions and "non" votes. Contained in the austerity budget were tax increases, cuts to salaries, as well as action on privatizations and public sector redundancies. Greek Prime Minister Papandreou welcomed the passage of the legislation as "a crucial step" for Greece. At the multilateral level, ***European*** Commission President Jose Manuel Barroso and ***European*** Council President Herman Van Rompuy issued a joint statement that hailed the vote as a measure of national responsibility. The statement included the following sentence: "The country has taken an important step forward along the necessary path of fiscal consolidation and growth-enhancing structural reform." However, the vote outcome prompted an angry renewal of violence by protesters in the streets of Athens. A second vote ensued a day later on June 30, 2011, and passed with a majority of votes in its favor. The second bill would reform laws and effectively facilitate the implementation of the rescue package.

Status of Events in mid-2011

All eyes were on the deadline in the first week of July 2011 for the euro ***zone*** whereby the EU would have to approve the latest rescue loans to Greece. It was assumed that with the parliament voting favorably on the austerity and privatization program, the funds by the EU and IMF would, indeed, be released. To that end, on July 2, 2011, finance ministers of the euro ***zone*** said that they would clear the release of the funds for Greece. Yet to be decided were the details surrounding a second bailout package for Greece.

Note that in mid-July 2011, at an emergency euro ***zone*** summit, German Chancellor Angela Merkel cast the second rescue package for Greece in some degree of doubt when she said that there would be no "spectacular" measures aimed at resolving Greece's debt crisis, such as the restructuring of Greek debt. The German chancellor made it clear that there needed to be a concrete plan for a second Greek rescue package, if there was any hope that the debt crisis in that country would be prevented from spreading across the euro ***zone***. Merkel's statement appeared to reflect an ongoing disagreement between her country and the ***European*** Central Bank (ECB) over the matter of private investors sharing the costs of another rescue deal. Germany, backed by Finland and the Netherlands, has made it clear that private investors need to share the pain, rather than only burdening taxpayers. On the other hand, the ECB has held the view that forcing private investors to take losses on their loans would be akin to a default by Greece on its debts. This impasse did not bode well for the core objective in bailing out Greece in the first place -- the prevention of contagion across the euro ***zone***.

Ultimately, though, concurrence was reached on July 21, 2011, with a rescue package of about 109 billion euro. Early drafts of the plan indicated that it would entail several proposals to reduce Greece's debt, including exchanging existing bonds for new lower interest rate bonds, and could result in short-term or "partial" default for Greece. To be clear, the plan provides for the Germany-endorsed position that private lenders, including banks, would have to do their part in contributing to the package. Any measures that would allow Greece easier repayment terms could be viewed by credit rating agencies as acknowledgment that its borrowing was unsustainable -- and therefore, "partial default."

Given this possibility, it was perhaps not surprising that on July 25, 2011, the credit ratings agency, Moody's, cut Greece's rating further, this time from Caa1 to Ca -- only two notches short of a default rating. Moody's said that the plan discussed above to exchange existing bonds for new lower interest rate bonds, would constitute default. Meanwhile, the ratings agency, Fitch, said that this very deal would be understood as "selective debt default" by Greece. Already, as noted above, Standard & Poor's had downgraded Greece from B to CCC, effectively pushing the country to the bottom of the list of the 131 monitored countries. Then on July 27, 2011, Standard & Poor's further downgraded Greece from a CCC rating to CC, reflecting its view that the euro ***zone*** restructuring debt plan discussed here would constitute a "selective debt default" by Greece. Fitch indicated it would follow in a similar direction.

Recent Developments (Sept. 2011)

On Sept. 22, 2011, Greek labor unions convened a 24-hour mass action strike to register discontent over further austerity measures instituted by the government. The unions targeted the public transport sector with workers from bus, taxi, train services involved, as well as air traffic controllers stopping work for several hours. Teachers and other civil servants were additionally joining the strike. Athens was expected to shut down, including the airport.

At issue were the additional strict measures to be taken up by the Greek government to cut pensions and suspend certain civil service jobs, in an effort to satisfy the ***European*** Union (EU) and the International Monetary Fund (IMF), and thus procure the latest installment of loan funding intended to assist Greece in paying its massive debt and avert default.

To date, the ***European*** Commission, the EU, and the IMF have been unimpressed by Athens' ***slow*** pace of reform and have warned that further measures would be needed to qualify for the funding. For the people in the streets, though, there was no appreciation for the need to meet the terms set forth by the EU and the IMF, with many of them disconnected from the financial realities of the scenario, such as default avoidance and maintaining EU status.

As stated by Greek Finance Minister Evangelos Venizelos, "The situation is extremely critical and I could say dangerous. There is great nervousness in the euro ***zone***, the ***European*** banking system and the world economy." Whereas Finance Minister Venizelos was saying that the Greek government was prepared to do "anything" to avoid deleterious consequences, many Greek citizens were under the impression that they were being faced with years of austerity in order to pay French and German banks, with Greek newspapers striking populist tones and accusing the government of placing Greek citizens on the "sacrificial altar."

As September 2011 drew to an end, Greek Prime Minister George Papandreou was engaged in talks with German Chancellor Angela Merkel to discuss the efforts by the Greek government to reduce its budget deficit. With

Germany funding the bulk of the EU rescue package, support from German quarters was essential. To that end, the Greek head of government also delivered a speech to German business leaders, in which he made his case for German funding assistance in resolving the Greek debt crisis. That being said, the ***European*** Commission, the ***European*** Central Bank (ECB) and the IMF were yet to travel to Athens to review Greece's progress in reducing debt levels, and to make a decision on the release of the latest tranche of bailout funds. See below for information related to the decision made on that matter.

Status of Greek Debt Crisis (Oct. 2011)

At the start of October 2011, the Greek government in Athens adopted its 2012 draft austerity budget. That news was somewhat overshadowed by the Greek government's announcement that the country was likely to miss its deficit reduction targets.

Athens blamed its shortfall on meeting deficit reduction targets on the country's deepening recession, pointing toward an economic contraction of 5.5 percent in 2011 rather than a rate of 3.8 percent, as expected months earlier. A statement from the Greek Finance Minister read as follows: "Three critical months remain to finish 2011, and the final estimate of 8.5 percent of GDP deficit can be achieved if the state mechanism and citizens respond accordingly." But the Greek citizenry was in no mood to respond favorably and, instead, continued to take to the streets in strikes and protests.

In an attempt to cast the scenario in the most positive light, the Greek finance ministry said that it was moving forward with its highly unpopular austerity measures, regardless of the outrage coming from the Greek citizenry. Included in the austerity provisions was a plan to put 30,000 civil service staff on "labor reserve" by the end of 2011, as well as cuts to salaries and wages, and a package of tax increases. These austerity measures were intended to show the economic rescue "troika" of the International Monetary Fund (IMF), the ***European*** Union (EU), and the ***European*** Central Bank (ECB) that Greece was taking on necessary measures to address its debt crisis.

To this end, representatives of the IMF, the EU, and the ECB, were set to review Greece's progress in reducing debt levels, and to make a decision on the release of the latest installment of bailout funds. However, before a decision could be made, the finance ministers from the euro ***zone*** put the metaphoric "brakes" on the decision-making. After hours of talks in Luxembourg, the finance ministers from the 17-nation euro ***zone*** urged Greece to take on more sacrifices and warned that banks in region should prepare for further challenges.

With a delay on the decision on releasing the latest tranche of bailout funds for Greece, it was yet to be seen if the IMF, EU, and ECB would ultimately recommend the release of eight billion euros in bailout funds for Greece. Some deadlines of significance included mid-October 2011, when the decision would finally be made, and the actual release of funds to come (pending approval) at the close of October 2011. However, the current scenario suggested that Greece might not receive its needed installment of rescue funds until November 2011. Presumably with the aim of preventing a sense of panic, Greek Finance Minister Evangelos Venizelos wasted no time in stating that the Greek government would have no funding problems until November 2011. Of course, Greece had earlier indicated it would be in need of funds by the middle of October 2011.

Note that as October 2011 entered its final week, finance ministers of the euro ***zone*** finally approved the tranche of rescue funds needed for Greece to escape disastrous default. The International Monetary Fund would also have to sign off on the release of the bail out money, but all expectations were that Athens would receive the much-needed funds by mid-November 2011.

Should Greece fail to service its debt commitments, there would be deleterious effects for the euro ***zone***, ***European*** banks, and at the international level, there could be a seriously damaging influence on the global economy.

Chairman of the euro ***zone*** finance ministers (known as the euro group), Prime Minister Jean-Claude Juncker of Luxembourg, foreclosed the possibility of a debt default by Greece, while simultaneously warning that Greece's private sector creditors should anticipate further losses on their Greek sovereign debt holdings – indeed, greater than the 21 percent "haircut" that was previously agreed upon months earlier. At that time in July 2011, private sector creditors had agreed to join the euro ***zone*** and the IMF in providing a second bailout package for Greece.

The ***European*** Financial Stability Facility

In mid-October 2011, all euro ***zone*** countries had ratified a plan to expand a rescue fund for Europe's heavily indebted countries, known as the ***European*** Financial Stability Facility. By the end of the month, ***European*** leaders announced that an agreement had been reached to help to resolve the euro ***zone*** debt crisis. Central to the agreement was acceptance from the banks that they would take a 50 percent loss on the face value of their Greek debt. Banks would also have to raise more capital to protect them against losses resulting from any future government defaults. As well, the actual rescue or "bail out" fund, known as the ***European*** Financial Stability Facility (EFSF), would be boosted to one trillion euros.

The hope was that the move would aid in reducing Greek debt to 120 percent of GDP by the year, 2020. While this remained a significant enduring debt, it was deemed to be far more sustainable for a recession-plagued economy undertaking harsh austerity measures. It was hoped that the accord would contain the debt crisis and prevent contagion into other vulnerable euro ***zone*** countries, such as Italy, Ireland, Spain and Portugal. It was also hoped that the deal would serve to revitalize the credibility of the euro.

The issue has been an extremely contentious one, with the participants of the global economy anxious for action to be taken in response to the debt crisis, but with stakeholders in various euro ***zone*** countries infuriated that they would be funding bailout packages that would benefit countries, such as Greece. It should also be noted that there was a growing chorus of complaints about the ***slow*** and protracted political response to the debt crisis and concomitant euro ***zone*** challenges, which was largely due to the EU's institutional structure.

Referendum for Greece?

By the start of November 2011, Greek Prime Minister George Papandreou was seeking national consensus for the implementation of the series of harsh and unpopular austerity measures, which were required elements of the debt relief plan to stabilize Greece and the euro ***zone***. To that end, the embattled Greek head of government was considering seeking the public's ratification of the ***European*** Union plan in a national referendum. However, all indications pointed toward a definitively negative outcome at the polls, given the incensed Greek citizenry's antipathy toward the massively unpopular austerity measures, and the belief that the country should simply default and exit the euro ***zone***. The international ***community*** reacted in a state of collective horror, given the likely outcome of this risky move. Clearly, a "no" vote would return Greece to the brink of economic disaster, as it would effectively be a rejection of the debt relief plan. Prime Minister Papandreou was also facing by a rebellion in his own government and in parliament, with various players outraged at the various options going forward -- austerity or bankruptcy.

Accordingly, Prime Minister Papandreou on Nov. 3, 2011 backed away from the controversial referendum notion and, instead, suggested that he would pursue coalition talks, with the intention of forming a stable unity (or "salvation") government that would be tasked with bringing the Greek economy from the precipice of crisis. Prime Minister Papandreou said, "We had three alternatives, to call general election, hold a referendum, or achieve a wide consensus."

With the main Greek opposition party reversing course, and now expressing support for the ***European*** Union debt relief deal (discussed above), Prime Minister Papandreou was pursuing the third option. The beleaguered Greek head of government said that he had no intention of resigning from office, but that he would seek a confidence vote in parliament, and then move forward with the formation of "a national salvation government."

Two days later on Nov. 5, 2011, Prime Minister Papandreou survived the crucial confidence vote in parliament and promised to form the aforementioned "national salvation government." Despite open rebellion among the ranks of the ruling Socialists (known by the acronym, PASOK), all PASOK members of parliament stood in solidarity with the prime minister on the confidence motion discussed above. The final vote result was 153 favorable votes and 147 against the Papandreou government. Clearly, it was a narrow victory and may have averted the another potentially negative outcome -- immediate elections, which clearly would have been politically catastrophic for Greece, which was already dealing with economic crisis.

New Government for Greece

With the confidence vote behind him, Prime Minister Papandreou pledged that he would commence negotiations to form a national unity (re: "salvation") government immediately, saying that he would soon visit Greek President Karolos Papoulias to start the process, and indicating that he was even ready to step aside as head of government, if necessary. After that meeting, the Greek head of government said, "I informed the president on my intention to seek wide consensus in order to proceed with the implementation of the historic decisions of October 26 upon which depends our membership inthe euro ***zone***." The outcome of the negotiations, though, remained hazy.

At issue was a brewing disagreement on the tenure of the interim government and the timeline leading to fresh elections. Antonis Samaras, the head of the main opposition New Democracy (ND) party, was insisting that the interim government have only a limited term, given the immediate objective at hand (re: rescuing Greece from the brink of economic disaster under the aegis of national consensus), with snap elections to be held by the year's end. Samaras argued, "The masks have fallen. Mr. Papandreou has rejected our proposals in their entirety. The responsibility he bears is huge. The only solution is elections."

It was possible that Prime Minister Papandreou could form a coalition government with two minor opposition parties, whose leaders have expressed their willingness to join a temporary coalition. These two right-wing parties appeared more amenable to a longer timeline of cooperation with Papandreou, expressing doubt that any coalition government would be able to easily push through parliament the necessary legislation to ***enact*** the provisions of the ***European*** Union debt relief deal. They were particularly skeptical that the interim government would be effective without the involvement of the ND, which was emphatic in its demands for snap elections by the end of 2011.

By Nov. 6, 2011, opposition leader Samaras of the ND was demanding that Prime Minister Papandreou resign from office, arguing that the head of government was taking too long to ***enact*** reforms. In an interview with the media, Samaras said, "The prime minister must decide what he wants to do, as by not resigning he hampers any solution." Samaras also made it clear that his party would not participate in a national coalition plan if Papandreou remained as prime minister. For his part, Prime Minister Papandreou had made it clear that he was willing to relinquish his post -- but only after a national unity government was formed, rather than as a condition of that possible outcome. It was evident that the two main political parties in Greece -- PASOK and the ND -- were embroiled in a high-stakes game of political brinkmanship, with the national, and indeed, the international ***community*** as the metaphoric victims in the center of the political cross-fire.

Nevertheless, later on that very day, the office of the Greek Presidency announced that a new coalition government had been formed, without Prime Minister George Papandreou, who had agreed to step down as the head of government. Once a new prime minister was named, President Papoulias would prevail on all parties to join the new government. All eyes were on current Finance Minister Venizelos or former Deputy President of the ***European*** Central Bank Lukas Papademos, as possible candidates to head the new national government.

Ultimately, on Nov. 7, 2011, it was Papademos who was tapped to be the interim leader of the new transitional Greek administration. With academic gravitas as an economist who has written extensively about the debt crisis as well as macroeconomic theory, the structure and functioning of financial markets, monetary analysis and policy, economic performance, financial stability, and economic policy in the ***European*** Union, Papademos was regarded as a credible choice to guide the interim "national salvation" government. Papademos' background at the helm of the ***European*** Central Bank augured the possibility of a cooperative relationship with the ***European*** Union and the International Monetary Fund during this time of crisis.

Note that Prime Minister Papademos' government won a confidence vote in parliament on Nov 16, 2011. The governing coalition garnered a substantial majority of 255 favorable votes. The successful vote was a significant development for the new government, despite strong concerns from opposition parties -- the conservative New

Democracy party and the far right Laos party -- regarding the austerity measures that are part of the plan to address the Greek debt crisis.

It was hoped that the concurrence on the new interim government would bring an end to the climate of turmoil and uncertainty gripping Greece and the overall euro ***zone***. Meanwhile, Deputy Prime Minister and Finance Minister Evangelos Venizelos was warning that the Greek economy remained in "mortal danger," ultimately requiring that the interim government to remain in power long enough to ensure the full implementation of all necessary procedures to stabilize the Greek economy. Indeed, the interim government would be tasked with implementing the full slate of required procedures needed to stabilize the Greek economy. It would have to ensure the release of the next ***European*** Union / International Monetary Fund loan installment in the near future, and would also have to finalize legislation for the new rescue package. Most importantly, that legislation would have to be passed into law. Moreover, Greece would have to look to private creditors for assistance in writing off its debt.

Recent Developments --

By the start of December 2011, the leaders of the two biggest players in the euro ***zone*** -- French President Nicolas Sarkozy and German Chancellor Angela Merkel -- issued a joint call for serious changes to Europe's governing treaties, aimed at ameliorated economic governance for the 17 countries that make up the euro currency bloc. French President Sarkozy and German Chancellor Merkel met for talks on the matter in Paris as the euro ***zone*** countries continue to grapple with the regional debt crisis, emanating from Greece but extending across the euro bloc.

Included in their proposal were: (1) the creation of a monetary fund for Europe, (2) automatic penalties for countries that exceed ***European*** deficit limits, and (3) monthly meetings of ***European*** leaders. The proposal entailed compromises by both ***European*** leaders. President Sarkozy had to accept the notion of automatic sanctions for countries in violation of debt limit rules, while Chancellor Merkel had to accept that the ***European*** Court of Justice will not be empowered with the power of veto over budgets. Meanwhile, the ***European*** Stability Mechanism (ESM), which was intended to replace the ***European*** Financial Stability Facility in 2013, would be advanced earlier in 2012.

President Sarkozy said that they were looking to March 2012 to complete negotiations on the new treaty. Ideally, the new treaty would be ratified by all 27 member states of the ***European*** Union. However, if concurrence at that level proved impossible, then the 17 states of the euro ***zone*** would have to approve it. It should also be noted that ***European*** Council President Herman Van Rompuy has said that tougher budget rules for the euro ***zone*** may not require changing any existing ***European*** Union treaties. To that

President Sarkozy emphasized the imperative that such a crisis not re-emerge in the future. He said, "We are conscious of the gravity of the situation and of the responsibility that rests on our shoulders." For her part, Chancellor Merkel said her country, working in concert with France, was "absolutely determined" to maintain a stable euro. She also advocated for "structural changes which go beyond agreements."

While the new measures would certainly go a long way to addressing the issue of improved economic governance in the euro ***zone***, they did not deal with the question of how many euro ***zone*** countries would deal with their debt challenges in a climate of low growth. Nevertheless, in the short run, the steadfast and unified message of intent by the two ***European*** leaders was, at least. expected to calm markets and facilitate lower borrowing costs for debt-ridden economies such as Italy, Spain, and Portugal.

Meanwhile, on Dec. 5, 2011, the credit ratings agency, Standard and Poor's, placed the countries of the euro ***zone*** on a "credit watch" with negative implications. Even power house economies of Germany and France were included in the move, which presaged a downgrade to come in the future. A day later, Standard and Poor's even warned that the euro ***zone*** bailout fund -- the ***European*** Financial Stability Facility -- could lose its own AAA rating. These moves have raised eyebrows across the world as regards the credibility of the ratings agency, which failed to warn the world of the sub-prime meltdown in 2008 that ultimately let to the global financial crisis. There were suggestions that this downgrade threat to euro ***zone*** countries, in conjunction with the downgrade of the United

States months earlier following a particularly ferocious debt ceiling debate in that country, were evidence that the credit ratings agency was trying to "save face" by proving its tougher standards at this time. However, Standard and Poor's newly-discovered hard-line stance was being questioned by analysts, who pointed to the timing of the warning against euro ***zone*** countries. Indeed, this warning came precisely at a time when France and Germany were leading the charge in the ***European*** Union to solve the regional debt crisis emanating from Greece, which has left the euro vulnerable, risked fragmenting the currency union, and which could yet imperil the fragile global economic recovery.

In January 2012, the credit ratings agency, Standard & Poor's, downgraded the status of a number of ***European*** countries. That being said, Greece's rating was already at "junk status."

Special Report:

Greece on the brink; Athens in flames as Greek members of parliament vote to approve austerity measures

Background

In recent years, an ongoing debt crisis has raged across the euro ***zone*** countries of the ***European*** Union (EU). Since 2010, Greece has stood as "ground zero" of the crisis, evoking deep anxieties about that country defaulting on its debt.

Anxieties also increased that a similarly disastrous fate could spread to other EU member states, such as Portugal, Spain, Italy and even Ireland. There were prevailing fears of contagion emanating from the Greek debt crisis, but extending to these mostly southern ***European*** economies, which were plagued not only by high deficits but also inherent structural economic weakness.

The crisis in Greece led to the development of a rescue plan by the ***European*** Union and the International Monetary Fund, which was aimed at averting sovereign default by Athens. In a separate but related development, the euro ***zone*** approved an expansion of the euro bailout fund, breathing life into what has been known as the ***European*** Financial Stability Facility (EFSF).

Despite agreeing to the debt relief package and the expansion of the EFSF, the ***European*** Union has not been quick to agree to the release of rescue funds for Greece, as concerns have risen about that country meeting necessary conditions -- the implementation of austerity measures and reforms -- associated with the relief package.

A new technocratic government was formed and tasked with pushing through the necessary legislation to implement the required austerity measures and reforms, and securing a further tranche of rescue funds aimed at averting default. But no government can function divorced from the reality of the political realm, and the political scene in Greece was one in which the politicians -- fearing the reaction of an infuriated citizenry -- were not going to easily assent to the stringent transformations needed to secure rescue funds.

Of course, without the enactment of the debt relief plan, Greece would fail to service its debt commitments -- essentially defaulting on its sovereign debt, and yielding deleterious effects for the euro ***zone*** and ***European*** banks. At the international level, there could be a seriously damaging influence on the global economy.

Just past midnight on Feb. 13, 2012, Greek members of parliament voted to approve the austerity and reform package needed to secure rescue funds. But outside the parliament in the streets of Athens, the city was literally ablaze as rioters and protesters set fire to buildings to register their outrage.

Landscape at the start of 2012

In late January 2012, Greek authorities were set to meet with private creditors to forge a debt write-off agreement that would reduce Greece's debt. At issue was the lack of concurrence over an interest rate on new bonds that would replace existing debts. The Institute of International Finance (IIF), which was representing Greece's private creditors in negotiations with the Greek authorities, said that it desired a four percent interest rate on newly-issued bonds. Athens, however, sought a lower rate. Should an agreement be reached, Greece would be positioned for additional rescue funding. Indeed, forging an agreement with private creditors has been mandated before further rescue funds can be dispatched by the ***European*** Union, the ***European*** Central Bank, and the International Monetary Fund. Of course, without those funds, Athens would default on its forthcoming loan repayments.

There remained questions about whether the intervention of the private creditors would be enough to provide Greece with relief. Accordingly, Christine Lagarde -- the head of the International Monetary Fund -- said that if the level of Greek debt held by the private sector was not sufficiently renegotiated, then public sector holders of Greek debt should also participate in the effort. An unfavorable outcome to this process could result in Greece being forced to exit the euro ***zone***.

It should be noted that in January 2012, credit ratings agencies downgraded the status of a number of ***European*** countries. That being said, Greece's rating was already at "junk status."

By the start of February 2012, there was no consensus within the Greek leadership regarding the terms of certain reforms and austerity measures needed to secure an aid package. While Greek politicians agreed to cut significant government jobs in 2012, there was also no consensus over reductions in salaries. Indeed, Greek politicians were refusing to yield to the demands of the ***European*** Union that severe austerity measures be implemented. There were rumors circulating that interim technocratic Prime Minister Lucas Papademos might consider resigning from office if he failed to gain the support of the three political parties backing the coalition administration. That objective became harder to accomplish when Greek unions closed ranks with management groups and made it clear that they were opposed to proposed salary reductions. They said that wage reductions were unacceptable. Moreover, two of the largest trade unions in Greece were set to commence strikes to register discontent over the plans for pay cuts.

Given the lack of progress made regarding necessary reforms and austerity measures, Finance Minister Evangelos Venizelos blasted the political parties for failing to approach the talks with a sense of urgency. He said, "Instead of looking at this tragic dilemma... there are many who spend their effort on a conventional, outdated, party confrontation as if nothing has happened. Sadly, we are distracted and we are not telling the Greek people the truth," he said in a statement.

Euro ***zone*** leadership frustrated by Greece's lack of action

At the broader level, other countries of the ***European*** Union were making it clear that Greece needed to immediately take the necessary steps -- already agreed upon -- to avoid default. As stated by French President Nicolas Sarkozy, "Greece's leaders have made commitments and they must respect them scrupulously." German Chancellor Angela Merkel warned the refusal of Greece to take the necessary steps toward austerity and reform threatened "the entire euro ***zone*** ." The German Chancellor said, "There can be no new Greece program if agreement is not reached... All those who bear responsibility in Greece must know -- we will not deviate from this position." She also expressed frustration over the slowness of Greece to take action, saying, "I honestly can't understand how additional days will help. Time is of the essence. A lot is at stake forthe entire euro ***zone***."

Likewise, Jean-Claude Juncker, head of the euro ***zone*** group of finance ministers, said in an interview with Der Spiegel that he had lost his patience with Greece. He warned that if Athens failed to move forward the required reforms and austerity measures, and failed to forge a debt write off agreement with private creditors, "Then there would not be a new program and that would mean that in March a declaration of bankruptcy would occur."

Latest Developments (February 2012)

On Feb. 9. 2012, Greek political leaders finally announced they had reached an agreement by which a package of harsh austerity and reform measures would be ***enacted*** into law, as demanded by Greece's financial backers.

The package included 15,000 public-sector job cuts (as discussed above), the lowering of the minimum wage by 20 percent (a key sticking point that was now going to go forward), the liberalization (or reform) of labor laws, and negotiations aimed at a debt write-off with banks. The package was presented to a gathering of euro ***zone*** ministers in Brussels; there, leaders of the ***European*** bloc expressed the view that the package was short on savings and that they needed "strong political assurances" on the implementation of the packages.

To that latter end, attention was soon refocused on the approval of the associated legislation by the Greek cabinet and final passage in the Greek parliament.

While approval in the Greek cabinet occurred, five government ministers resigned from office presumably to show disapproval for the harshness of the measures. Now, the action shifted to the parliament where the bill had to passed if Greece hoped to receive funds needed to avoid bankruptcy in March 2012.

On Feb. 11, 2012, Prime Minister Papademos took to the air waves in Greece to warn the Greek citizenry that failure to pass the legislation would be "disastrous" for the country. He said, "The social cost of this program is limited in comparison with the economic and social catastrophe that would follow if we didn't adopt it." Prime Minister Papademos warned that without the passage of the bill and the infusion of rescue funds, the Greek government would be unable to pay wages, and there would be disruptions to the importation of fuel, medicine and machinery. He argued affirmatively for the legislation asserting, "It would be a huge historical injustice if the country from which ***European*** culture sprang ... reached bankruptcy and was led, due to one more mistake, to national isolation and national despair."

By Feb. 12, 2012, members of parliament were soon ensconced in the process of debating the bill and introducing the legislative measures. The general consensus was that the legislation would be passed since PASOK, along with its coalition ally, New Democracy, controlled more than 230 seats in the 200-seat unicameral "Vouli ton Ellinon" or parliament. Members of the Greek legislative body would also have to vote on an additional bill dealing with the debt write-off agreement with private banks.

As members of parliament debated the legislation, Greeks outside of parliament were opposing the move. While the international ***community*** understood that default in Greece could imperil the financial stability of Europe, Greek citizens had a different perspective. Greek citizens, by and large, haveviewed themselves to be already suffering under the weight of an economic disaster and have vociferously opposed further measures that would worsen their living conditions. Indeed, large swaths of the country believed that Greece should exit the euro ***zone***, return to a devalued "drachma" (the former currency), and dealing with the consequences with less of an acute stranglehold. Of course, the wishes of the Greek masses and decision makers in Athens and across Europe were on a collision course.

Perhaps not surprisingly, tens of thousands of people took to the streets to voice their outrage over the proposed austerity and reform legislation. Indeed, for successive days, mass protests rocked Athens. The scene turned violent in Athens on Feb. 12, 2012, as black-masked protesters protesters hurled stones and petrol bombs, leaving buildings damaged and scores of people injured. Battles between protesters and security forces were ongoing throughout the capital. Meanwhile, riots were breaking out in other parts of the country, such as the northern city of Thessaloniki, but also spreading to islands such as Corfu and Crete.

For his part, Prime Minister Papademos condemned the breakdown of social order saying, "Vandalism, violence and destruction have no place in a democratic country and won't be tolerated."

Just past midnight on Feb. 13, 2012, Greek members of parliament voted to approve the austerity and reform package needed to secure rescue funds. The economic reform and austerity bill passed overwhelmingly with 199 votes in its favor, 74 votes against it, and 27 abstentions. After the vote, Greece's coalition government expelled 43 members of parliament from its ranks for voting against the cuts. Members of parliament also voted affirmatively to give Prime Minister Papademos' interim government authority to sign a new loan agreement with foreign lenders, and to forge debt write off deal with private banks.

But outside the parliament in Syntagma Square -- the center of Athens -- tear gas filled the air as security forces tried to disperse angry crowds. In the streets of Athens, the city was literally ablaze as rioters and protesters set fire to buildings to register their outrage.

Among the facilities set on fire were cafes, theaters, banks, and historic buildings -- all necessary interests in a country reliant on tourism for revenue. The irony seemed lost of demonstrators who were intent only on expressing their rage at the situation. Left unstated, however, was the fact that Greece has had a long history of tax evasion -- a phenomenon that led to the fact that there has been insufficient means to fund the very social welfare programs and benefits that the citizenry wants to preserve.

In an interview with Reuters, Costis Hatzidakis, a conservative member of parliament, called on his fellow legislators to stand strong in favor of the austerity and reform package saying, "We are facing destruction. Our country, our home, has become ripe for burning, the center of Athens is in flames. We cannot allow populism to burn our country down."

On Feb. 18, 2012, the Greek cabinet approved the final austerity package, which aimed to secure further international financing. Greek Prime Minister Lucas Papademos -- speaking during the extraordinary meeting of the cabinet -- expressed confidence for a positive outcome. As before, Greek activists took to the streets and rallies in front of parliament and at Syntagma Square to register their opposition to the austerity and reform agenda, which they argued has placed an undue burden on the shoulders of the poor and the working class of the country.

The Rescue Deal

A meeting of the finance ministers of the euro ***zone*** took place on Feb. 20, 2012; participants there would decide whether or not to approve the funding needed for Greece to avoid bankruptcy. Reports were emerging that some euro ***zone*** finance ministers needed further assurances of Greece's commitment to actually implementing all necessary measures. Meanwhile, Jean-Claude Juncker, the head of the euro group, called for further oversight regarding Greece's implementation of its austerity plans. That spirit of skepticism left the likely outcome of the meeting very much in doubt.

Late into the night, euro ***zone*** finance ministers were holding talks aimed at securing rescue funds for Greece. Early on Feb. 21, 2012, Reuters reported that an agreement had been forged on a 130 billion euro rescue package, and a 121 percent debt to GDP ratio; the deal also included strict conditions and aimed to avert imminent Greek bankruptcy. Still, many economists argued that the deal might serve only to delay default, with recovery of the Greek economy expected to take up to a decade to accomplish.

According to Greek Finance Minister Evangelos Venizelos, the deal meant that his country would avoid a nightmare scenario. He also cast the agreement as the most important in Greece's post-war history. Venizelos additionally urged the rest of cabinet to find ways to implement the measures mandated by international lenders, such as further massive cuts and increased monitoring by the euro ***zone***.

Since Greece has already been subject to harsh austerity measures due to the previous bailout or rescue package, many in the citizenry were in no mood for further hardship. Not surprisingly, unions were calling for more strikes and other such protest actions.

On Feb. 29, 2012, the Greek parliament passed a fresh package of spending cuts intended to secure the release of the aforementioned rescue funds, and avoid bankruptcy. The measures -- valued at 3.2 billion euros -- were part of the action plan required by international creditors and suggested by the Greek finance minister, in order to secure the release of the vital rescue package.

Given the reality of further austerity measures, protesters again took to the streets. The latest round of mass action was organized by Greek labor unions demanding "employment and social justice." Included in the demonstrations and strikes were doctors and nurses from public hospitals protesting the cutbacks on health care and prescribed medicines to slash deficits. They argued that these moves would create risks for patients and consign medical personnel to poverty. They were joined by pharmacists protesting an extension on the working hours, as well as public servants outraged over supplementary spending cuts. Meanwhile, the umbrella trade union of civil servants and private sector employees closed ranks to protest the reduction of the minimum wage in the private sector, which the Greek government said would spur competitiveness and growth. Not to be left out, lawyers, civil engineers, and other professionals participated in a protest facing the Greek Finance Ministry.

As the first week of March 2012 came to a close, Greek authorities said they were close to forging a debt swap deal with bondholders. Then, on March 12, 2012, Greece said it had forged a debt swap deal with bondholders to avert default. Under the Private Sector Involvement (PSI) scheme sanctioned by the ***European*** Union and the International Monetary Fund lenders, old bonds would be exchanged for new ones with lower value, lower interest rates, and extended maturities. The majority of private investors holding bonds gave their assent to the plan. That being said, the collective action clauses (CACs) activated by the Greek government to force losses on reluctant bondholders resulted in further downgrades of Greece's credit ratings by international agencies, which now categorized Greece as being in a state of "restricted default."

Further Recent Developments:

On April 5, 2012, a man committed suicide outside the Greek parliament. The 77-year old retired chemist shot himself to death to protest the government's austerity measures, which included cutting his pension. According to Greek media, a suicide note was found in which the man accused the government of reducing his pension to nothing. As reported by the Athens News, the suicide note read as follows: "The government has annihilated all traces for my survival, which was based on a very dignified pension that I alone paid for 35 years with no help from the state. And since my advanced age does not allow me a way of dynamically reacting... I see no other solution than this dignified end to my life, so I don't find myself fishing through garbage cans for my sustenance."

Flowers were laid in remembrance of the man at the spot where he died, along with notes reading messages such as "Enough is enough" and "Who will be next?" Meanwhile, enraged Greek protesters took to the streets of the Greek capital city of Athens to register their horror. Violence erupted as the protesters hurled rocks and petrol bombs at the riot police, who used tear gas to disperse the angry crowds.

With the capital city in a state of uproar, Prime Minister Lucas Papademos issued a statement. He said, "In these difficult hours for our society we must all -- the state and the citizens -- support the people among us who are desperate." Evangelos Venizelos, of the socialist Pasok party that holds a majority in the coalition government, called on colleagues to refrain from "political commentary" and "show solidarity and togetherness." Antonis Samaras, the head of the conservative New Democracy party, said politicians had to do more to "help Greeks escape from despair."

According to a report in Reuters, suicides have increased by 18 percent in Greece in 2010 from the previous year; in Athens alone, the rate of suicide rose 25 percent over 2011 rates.

Primer on 2012 Elections in Greece:

Summary --

Elections were held in Greece on May 6, 2012. That vote yielded inconclusive results, with no one party gaining a majority or able to form a viable government coalition, despite three successive attempts at achieving that end. Accordingly, a new "re-run" election was set for June 17, 2012. At stake in the parliamentary elections of Greece would be the 300 seats of the unicameral "Vouli ton Ellinon" (Parliament).

Background --

An ongoing debt crisis has plagued Greece, leading to the need for a rescue plan from the ***European*** Union and the International Monetary Fund, with an eye on averting sovereign default. Despite agreeing to the debt relief package and the expansion of the EFSF, though, the ***European*** Union has not been quick to agree to the release of rescue funds for Greece, as concerns have risen about that country meeting necessary conditions -- the implementation of austerity measures and reforms -- associated with the relief package.

To that end, in late October 2011, Greek Prime Minister George Papandreou initially advanced the idea of a national referendum aimed at ratifying the debt relief plan. However, with the angry and outraged Greek citizenry unlikely to ratify the plan, the prime minister ultimately withdrew the referendum idea. Prime Minister Papandreou soon resigned from office, as demanded by the opposition, making way for the formation of a national unity government.

At the start of November 2011, the office of the Greek Presidency announced that a new coalition government had been formed. Once a new prime minister was named, President Papoulias would prevail on all parties to join the new government.

Ultimately, it was former Deputy President of the ***European*** Central Bank Lukas Papademos who was tapped to be the interim leader of the new transitional Greek administration. With academic gravitas as an economist who has written extensively about the debt crisis as well as macroeconomic theory, the structure and functioning of financial markets, monetary analysis and policy, economic performance, financial stability, and economic policy in the ***European*** Union, Papademos was regarded as a credible choice to guide the interim "national salvation" government. Papademos' background at the helm of the ***European*** Central Bank augured the possibility of a cooperative relationship with the ***European*** Union and the International Monetary Fund during this time of crisis.

It was hoped that the concurrence on the new interim government would bring an end to the climate of turmoil and uncertainty gripping Greece and the overall euro ***zone***. As noted above, the new government would be tasked with implementing the full slate of required procedures needed to stabilize the Greek economy. It would also have to facilitate the release of the next installment of ***European*** Union/International Monetary Fund loan funds, including the passage of legislation associated with the rescue package. Before that could take place, Greece would have to have its economic affairs in order since the country would run out of money by December 2011, thus risking default. All eyes were on the spring of 2012 for a likely election timetable.

Pre-election developments (ahead of the May 2012 vote) --

On March 19, 2012, Greek Finance Minister Evangelos Venizelos resigned from his cabinet post to take over the leadership of the ruling Greece's Panhellenic Socialist Movement (PASOK) in its campaign for the general elections to be held in late April or early May 2012. Outgoing PASOK President George Papandreou expressed hope for a new beginning, saying: "This is a new start for both of us ... We will continue to work together for the sake of the country."

It should be noted that the major parties participating in the ruling coalition posted dismal approval ratings ahead of the elections, but all expectations were that the new government would also involve a coalition of various parties.

As March 2012 came to a close, polling data from the Kathimerini newspaper showed the conservative New Democracy party, which supports the outgoing technocratic government as well as its harsh austerity and structural reform measures, in the lead with 22.5 percent. The socialist PASOK, which was also in the outgoing coalition, followed in second place with 15.5 percent of the vote. The communists and the leftist SYRIZA were posting about 12 percent of support respectively, while the newly-formed Democratic Left, Independent Greeks, the Greek Ecologist Greens, and the far-right neo-Nazi "Golden Dawn" were all trailing behind, but still expected to gain parliamentary representation.

Together, the two main parties -- the conservative New Democracy party and the socialist PASOK -- could collectively secure enough votes to meet the 38 percent threshold required to obtain a parliamentary majority, thus ratifying their coalition for a new term in office. Still, a larger contingent of voters -- 48 percent -- would prefer a left-wing coalition that would oppose the austerity and structural reform agenda.

Note that in April 2012, Prime Minister Lucas Papademos announced that elections would be held on May 6, 2012, and called on President Karolos Papoulias to dissolve parliament. With his technocratic government set to end, Prime Minister Papademos said he believed his government left behind "an important legacy." He also urged cabinet ministers and political parties to prevail in their efforts to overcome the debt crisis, and cautioned that any future administration would "have to make decisions promptly in order to complete the efforts to revive our economy."

Greece's two main parties -- the conservative New Democracy party and the socialist PASOK -- were expected to capture the lion's share of the vote. The main question was whether the two parties -- which support the reform agenda -- could garner the 38 percent threshold necessary to secure a majority in the 300-member parliamentary chamber. There was also some indication that left-wing and right-wing parties, which have been opposed to the unpopular austerity measures associated with the bailout funds, could make significant gains. The leftist SYRIZA coalition, the Democratic Left, the Greek Communist Party, the new Rightist Independent Greeks, and the far-right Golden Dawn could well post historic performances at the polls, given the Greek public's outrage over the austerity programs being put into place.

Of course, electoral success for anti-austerity parties could threaten the rescue funding structure currently in place, risk disorderly default for Greece, and thus imperil the entire euro ***zone***.

In the week ahead of the vote, PASOK leader Evangelos Venizelos promised to lead the country out of its debt crisis by 2015 if the party was elected in the upcoming elections. Antonis Samaras, the head of the conservative New Democracy (ND), made the same election promise. Polling data at the close of April 2012 gave Samaras and the ND the edge, although neither party was likely to have enough seats to command a parliamentary majority. Accordingly, a new coalition was likely in the offing.

Results of the May 2012 election --

As the votes were being counted, it was clear that the two main governing parties of Greece were suffering significant losses. Samaras' conservative New Democracy party was leading the country's general elections by a narrow margin with 19 percent of vote share. Center-left PASOK had slipped to third place with just over 13 percent. Left-wing SYRIZA was boosted to second place with close to 17 percent. The right-wing Independent Greeks secured ten percent while the neo-Nazi Golden Dawn managed to garner seven percent and could be positioned to enter parliament for the first time.

The result suggested that the coalition -- composed of New Democracy and PASOK, which formed the outgoing pro-austerity and reform government -- would not command a majority in parliament. The result also showed the ascendancy of SYRIZA , which has argued vociferously against austerity and reform. Indeed, this result for SYRIZA and even Golden Dawn was illustrative of the impassioned anger by the Greek people against the harsh measures, which were imposed in conjunction with the international rescue packages, in order to prevent Greece from defaulting on its debt.

Government Formation --

Having won the plurality of the vote share, Samaras and New Democracy would have the first opportunity to try to form a government. To that end, Samaras said he would form a national salvation government, aimed at keeping Greece in the euro ***zone***. He also said he would try to "amend" Greece's bailout agreement with the ***European*** Union and the International Monetary Fund in order to increase economic growth. But if Samaras failed to be able to form a government after a three-day period, then SYRIZA

would have three days to form a coalition government. To that end, SYRIZA leader, Alexis Tsipras, said he wanted to form a left-wing coalition that would set aside arrangements related to the Greek bailout scheme. Tspiras said the vote made clear that the Greek party had rejected the path of rescue plans and reform. He explained, "The parties that signed the memorandum (with the EU and the IMF) are now a minority. The public verdict has de-legitimized them." PASOK would have its own chance to form a government if Syria's effort ended in failure after three days. For his part, Venizelos called for a broad coalition or unity government including pro-***European*** parties.

The government formation process promised to be difficult since New Democracy and PASOK would likely search for pro-euro ***zone*** partners, and those options were limited. Meanwhile, the likes of SYRIZA sought to step away from the euro ***zone***-endorsed rescue package and reforms -- stances that both New Democracy and PASOK do not support. Thus, the path toward a viable new coalition was limited. Should all of the three successive efforts toward government formation fail, then Greeks would have to return to the polls in another election. In this way, the scene in Greece after the May 6, 2012, was one of turmoil and turbulence. Indeed, without a stable government willing to adhere to the arrangement forged with the ***European*** Union and the International Monetary Fund, Greece would not have access to rescue funds. This would return Greece to its prevailing risk of defaulting and possibly exiting the euro ***zone***.

Note that on May 7, 2012, after one day of serious government formation negotiations, Samaras, the leader of the conservative New Democracy Party, said he was not able to forge a workable coalition and that he returned the government formation mandate to President Karolos Papoulias. "We did everything we could," said Samaras. "It was impossible. I handed back the mandate." Although parties actually have three days to try to form a government, Samaras said he did not want to waste any time, given the dire situation for Greece.

The leftist bloc, SYRIZA , would now be charged with the mandate of trying to form a ruling coalition. Speaking of his task, SYRIZA leader Tsipras said:

"We will exhaust all possibilities to reach an understanding, primarily with the forces of the left." But Tsipras then followed in the footsteps of New Democracy and failed to form a ruling coalition. For the SYRIZA leader, it was imperative that his party not compromise its anti-austerity stance. "The bailout austerity has already been denounced by the Greek people with its vote, and no government has the right to enforce it," Tsipras said.

The charge for forging a workable coalition then fell on the Socialist leader, Venizelos. That effort likewise resulted in a similar manner. PASOK was able to close ranks with New Democracy but unable to find a third coalition partner. Accordingly, Venizelos formally returned the mandate to the president.

Such an end had been highly anticipated as the combination of seats for certain parties with corresponding ideologies simply did not add up to a workable result.

Stated in plain terms, SYRIZA had firmly rejected the terms of the EU-IMF bailout plan, which required the implementation of harsh austerity measures and structural reforms in return for loan funding. Without the participation of SYRIZA , however, it was unlikely any coalition could be forged. Meanwhile, as explained here, SYRIZA was itself unable to form a workable alliance without one of the two pro-bailout parties -- New Democracy and PASOK. The result was a political impasse.

President Karolos Papoulias convened emergency meetings on May 13, 2012, with an eye on forming some sort of unity government, of a technocratic variety. The president invited the three largest parties -- center-right New Democracy, socialist PASOK, and the far-left bloc SYRIZA -- for talks. That move was not welcomed by the Greek populace who did not look kindly on the outgoing technocratic government of Papademos; they viewed it as not democratically-elected and responsible for ushering in the dark age of structural economic reform. Ultimately, with the parties divided over the key issue of austerity, the last-ditch effort by the president to form a unity technocratic government ended in failure. Indeed, SYRIZA reiterated its uncompromising stance that it would not join any ruling coalition that instituted further cuts or harsh measures.

Future Course --

As of mid-May 2012, with efforts at either forming a governing coalition or a new technocratic government ending without resolution, Greek voters would be returning to the polls, possibly as soon as June 2012. There were strong indications that a new vote could end with SYRIZA winning a plurality of the vote share, possible paving the way for a government willing to walk away from the aforementioned EU-IMF bailout plan.

Of course, such a course would augur default, act as a catalyst for the possible exit of Greece from the euro ***zone***, and facilitate a return to the drachma. The consequences for Greece -- and Europe at large -- could be dire, as predicted by Germany. The head of Germany's central bank, Jens Weidmann, offered this warning: "For Greece the consequences would be much more grave than for the rest of the euro ***zone***." He continued, "If Athens does not stand by its word, then that's a democratic decision. The result is that there is no more basis for further financial aid."

Meanwhile, credits ratings agencies were predicting that Greece's exit from the euro ***zone*** would affect all the remaining euro ***zone*** countries. Specifically, the Fitch ratings agency warned that if Greece abandoned the euro, not only would Greece would be deleteriously affected, but all the sovereign ratings of all the 16 remaining euro ***zone*** countries would be placed on negative watch in anticipation of a downgrade.

Ratings aside, the exit of Greece from the euro ***zone*** would also be a blow to the entire framework of Europe's monetary union. Although Jean-Claude Juncker -- the prime minister of Luxembourg and the head of the euro ***zone*** -- dismissed the notion of Greece's withdrawal from the bloc as "nonsense," the fact that such a prospect was now being openly debated in Europe illuminated the tumultuous landscape.

According to a report by the Wall Street Journal, fear and doubt about the economic landscape in Greece led to the withdrawal of nearly $900 million from local banks by Greek depositors on May 14, 2012, alone. The withdrawal of funds was confirmed by President Papoulias who said the withdrawals, in conjunction with "buy orders" received by Greek banks for German bonds, placed Greece's lenders in a difficult position and that the banks were "very weak right now." $900 million in one day was clearly a concerning event since outflows in the last two years have amounted to between one and two billion on a monthly basis.

A "re-run" election in June 2012 --

A caretaker government was formed on May 16, 2012, with elections set to be held in mid-June 2012. Panayiotis Pikramenos, the head of one of Greece's high courts, was named to head Greece's caretaker government ahead of the next elections to be held on June 17, 2012.

There were serious anxieties that the second elections in the span of a month would, likewise, yield an inconclusive result. Indeed, another divided parliament would do little to resolve the state of impasse in the country as it wrestles with its debt crisis. There was an additional dimension to these anxieties from among some national and international factions that leftist parties could eke control of parliament. Such an end would serve a decisive death knell to the austerity and reform agenda required by the EU and IMF rescue funding deal, and could well spell catastrophic default for Greece.

Polling data in mid-May 2012 showed that the conservative pro-reform agenda New Democracy was on track to win the most votes. PASOK (also pro-reform despite its Socialist leanings) was expected to post another third-place finish after SYRIZA. This time, though, the two parties in favor of the rescue and reform agenda were expected to have enough seats to form a government, effectively avoiding the impasse of the previous elections. This polling result was a shift from polling data the previous week that showed SYRIZA poised to win the elections. It would seem that after having vented their anger against the establishment parties in the May 2012 elections, voters were slowly coming to the realization that the stakes were high.

Meanwhile, news emerged that New Democracy would forge an agreement with the other conservative party, the Democratic Alliance, to come together for the June 17, 2012, polls and foreclose vote splitting. This agreement between New Democracy and Democratic Alliance would open the door for a wide alliance of pro-***European***, pro-reform agenda, parties to form a government.

SYRIZA party leader Tsipras insisted that the terms of the bailout would have to be replaced, and that his party was confident that new terms could be negotiated with international lenders. Explaining his approach as follows: "We will not go to the table of dialogue aggressively," Tsipras was quite sure that SYRIZA could convince international lenders that austerity in return of the two rescue packages would be catastrophic for Greece's economy, and therefore, they would be amenable to the notion of a new deal that would yet furnish necessary rescue funds. Tsipras was undaunted by the prospect of lenders halting the disbursement of further loans to Greece, and dismissed the notion that a chaotic default on the part of Greece would end its that country's exit from the euro ***zone***. In regards to SYRIZA's participation in a future Greek government, Tsipras expected to lead that government, which he said would consist of a "left-wing coalition" and would include the Greek Communists and the Democratic Left.

The Socialists (PASOK) and the Democratic Left were offering similar political agendas, with an eye on the necessary formation of a government of "shared national responsibility" after the June 2012 general elections. Both parties appeared to concur that Greece could not be governed by slim majorities during its time of need. As noted by PASOK leader Venizelos at the start of June 2012, a weak government would not be able to push through important reform measures required to solve Greece's debt crisis. Democratic Left leader Fotis Kouvelis called for a "progressive unity government." He threaded the political needle carefully as he argued that while Greece could not afford to go down the path of exclusive austerity, he nonetheless rejected the idea of annulling already-established rescue deals and risking default. In this way, Kouvelis was taking quite a different position as compared with SYRIZA leader Tsipras, who has advocated the path of annulment.

It should be noted that SYRIZA leader Tsipras was winning the rhetorical contest and effectively shifting the debate. As noted just above, Tsipras has consistently asserted that should he win the election and lead a future Greek government, Greece would walk away from the prevailing international agreements concerning billions of dollars in bailout assistance and their associated harsh mandates for the budget, including the abolition of collective bargaining and the reduction of the minimum wage. He has also said that he would suspend the repayment of international loans until Greece, which has suffered from a continuing recession, sees economic growth. Now, ahead of the repeat elections, even the leaders of the two main reformist and pro-rescue package parties, New Democracy and Socialist PASOK, were moving a bit away from the singular pro-austerity agenda, and towards the notion that the rescue deals should -- at least -- be renegotiated on less harsh terms.

Note that at the start of June 2012, the final set of pre-election polls ahead of the repeat elections showed a tight race between leftist SYRIZA and the center-right New Democracy party. Two of three polls showed the two parties essentially tied, while the third poll showed SYRIZA holding 32 percent over New Democracy with 26 percent. It should be noted that Greece suspends election polling in the two weeks prior to election day, so these results offered the final pre-election picture.

As the first week of June 2012 came to a close, the drama of the political contest in Greece reached new heights when a member of parliament from the neo-Nazi Golden Dawn party, Ilias Kasidiaris, was caught on a televised broadcast assaulting a female SYRIZA politician, Rena Dourou, with a glass of water, and then slapping another female left-wing politician, Liana Kanelli of the Communist Party. Although an arrest warrant was issued for Kasidiaris, the Golden Dawn member of parliament placed the blame for the incident on the two female politicians, saying that they provoked him by bringing up his alleged involvement in a 2007 armed robbery case. He also promised to sue them. The wider Greek public appeared shocked by the display and took to the streets on June 8, 2012, in massive protests against Golden Dawn and neo-Nazis. The rallies were organized by left-wing and anti-racism groups in Athens and were attended by thousands of people.

June Elections

On June 17, 2012, Greeks returned to the polls to cast their ballots in the second general elections in a month in a renewed attempt to form a government. Exit polls indicated the elections would be a close contest but with the center-right New Democracy in a narrow lead ahead of the leftist SYRIZA, and with the socialist PASOK in third place. With the lion's share of the ballots counted, the Greek Interior Ministry said that New Democracy secured close to 30 percent and was on track to carry as many as 130 seats in the 300-seat parliament; SYRIZA garnered 26.7 percent and was likely to control between 71 and seats; PASOK acquired 12.5 percent and was estimated to win about 33 seats. Several smaller anti-bailout parties were expected to win between 13 and 21 seats; these parties included the Independent Greeks, the neo-Nazi Golden Dawn, the Democratic Left, and the Communists.

Accordingly, SYRIZA leader, Tsipras, reportedly telephoned the New Democracy leader, Samaras, to concede the elections and offer congratulations. Given these results, Samaras, at the helm of his New Democracy Party, was expected to commence coalition talks on June 18, 2012. Samaras urged all the major political parties to close ranks and form a national salvation government. Since his financial plan for the country going forward would entail spending cuts and the implementation of other reform measures as required by international creditors he would have to find coalition partners with compatible goals. Such goals clearly ran counter to the position of SYRIZA, which has made clear that it would stand against austerity measures demanded as part of the existing rescue deal. A future coalition led by New Democracy, therefore, was unlikely to include SYRIZA. More likely was the possibility that New Democracy, boosted by an additional 50 parliamentary seats as the winning party, would be able to form a majority coalition with PASOK.

For Samaras, the election result was a ratification of Greece's continued presence in the euro ***zone***. To this end, he said, "The Greek people voted today to stay on the ***European*** course and remain in the euro ***zone***." Samaras promised that his country would "honor its obligations." He also said, "There will be no more adventures. Greece's place in Europe will not be put in doubt. Samaras continued by noting that the flirtation with default, an exit from the euro bloc, and a return to the drachma -- a possible outcome if SYRIZA had won the election -- was now over.

To be sure, the election result was likely to calm some of the global fears about a SYRIZA victory and a concomitant Greek exit from the euro ***zone***. It was likely to quell speculation for the immediate future about debt default contagion spreading through the ***European*** bloc and adding to the sense of turmoil brewing at the international level. In Greece, however, the public's sense of discontent over the austerity conditions would presumably continue, along with anxieties about the future of the country. In a bid to address these anxieties, Samaras promised light at the end of the proverbial dark tunnel, saying, "The sacrifices of the Greek people will bring the country back to prosperity."

New Government for Greece

As attention turned towards the government formation process, the question arose as to whether or not a national salvation government -- composed of as many parties as possible -- would be possible. But such an end was not to happen as SYRIZA made it clear that it would neither join such a government. Indeed, SYRIZA leader, Tsipras, rejected a proposal from Samaras and New Democracy to join a coalition government. For his part, Tsipras indicated that his party's role was to operate as the official opposition saying, "The main opposition party's role is to be critical and responsible. We will do just that."

By June 20, 2012, three parties were able to reach an agreement on the formation of a new Greek government. As the winner of the June 17, 2012 elections, the main coalition partner would be center-right New Democracy, while the Socialists, PASOK, as well as Democratic Left, would participate in the new government. Speaking of the need to establish a stable Greek administration as soon as possible, and to deal with the political and economic challenges facing the country, Evangelos Venizelos of PASOK said: "Greece has a government ... that is the message that we need to send abroad."

Note that on that day -- June 20, 2012 -- Antonis Samaras, leader of the New Democracy party, was to be sworn in as Greece's new prime minister at a brief ceremony at the presidential palace in Athens, presided over by the archbishop of Greece. After being sworn in as the new Greek head of government, Prime Minister Samaras said that he would demand "hard work" from the new government" and that he intended to "give hope" to the Greek people.

Of course, for the Greek people, they were looking for relief from the harsh terms of the rescue package from the ***European*** Union and the International Monetary Fund (IMF). To that end, the new government would seek to renegotiate the bail out agreement. As noted by Fotis Kouvelis, the leader of the

Democratic Left, he wanted to see the country "released" from the "painful terms" of the bail out deal. One provision sought by the new coalition government was a change in the schedule for austerity cuts to be spread over four years rather than two years, as currently outlined.

In truth, however, there was probably limited room for the new Greek government to negotiate a more pleasing agreement. While leaders in Europe were undoubtedly relieved that the political crisis in Greece had abated and there was a reasonably coalition government with which to talk, they were unlikely to offer much flexibility. Germany was certainly making it clear that few concessions were in the offing. As stated by German Chancellor Angela Merkel, "Elections cannot call into question the commitments Greece made. We cannot compromise on the reform steps we agreed."

Update (2012/2013):

In the fall of 2012, trade unions launched a general strike to register opposition and outrage against the government's stringent austerity measures.

The strike attracted the participation of anarchists who gathered

outside the parliament, thus compelling security forces to use tear gas to disperse the crowds.

Meanwhile, the Greek government was crafting the budget for 2013, which was intended to confront the reality that the Greek economy would be subject to further economic contraction as well as a continuing heavy debt burden.

Recently-elected Prime Minister Samaras warned the country that his government's coffers would be empty by the end of November 2012 without the infusion of funds -- presumably via international aid.

With an eye on securing further installments of rescue loans from the ***European*** Union and the International Monetary Fund, the Greek government passed a 13.5bn-euro austerity plan. The budget provisions included increases to taxes along with cuts to pensions. Not surprisingly, union organizations reacted with ire to these measures.

Nevertheless, the budget plan achieved its objective as the ***European*** Union and the International Monetary Fund agreed to release its latest installment of rescue loans by the end of 2012.

The move also achieved the end of preventing Greece from leaving the euro ***zone***.

Note that as of January 2013, Greece's unemployment rate had increased to 26.8% -- the highest figure recorded in the ***European*** Union (EU). Indeed, Greece had the dubious distinction of being the country with the highest unemployment rate in Europe.

On June 21, 2013, the Democratic Left Party -- a participant in the ruling coalition in Greece -- said it was withdrawing from the government amidst disagreements over the shutdown of the state broadcasting service, ERT. At issue was accusation Prime Minister Antonis Samaras' accusation that ERT suffered from a lack of transparency. Accordingly, ERT transmissions were shut down on June 11, 2013. Efforts to forge an agreement leading to the resumption of broadcasts ended in failure. For its part, Democratic Left criticized the prime minister's handling of the situation, and more importantly, the fact that he did not consult with his coalition partners before making the decision.

It should be noted that the ruling coalition came to power after the last elections in mid-2012 and was composed of the center-right New Democracy, the Socialists (PASOK), as well as Democratic Left. The coalition government was intended to be a representative and unifying force for Greece, which has been embroiled in a debt crisis in recent years. The loss of any party effectively weakened the coalition government in a country beset by political instability and eager for unity as the government makes difficult decisions aimed at addressing Greece's crushing debt crisis.

On July 17, 2013, protesters in Greece took to the streets of Athens to rally against a public sector reform bill that would lead to massive job cuts. Under the provisions of the legislation, as many as 4,000 government employees, including teachers, would lose their jobs in 2013. By the end of the year, another 25,000 government employees would be placed in "mobility pool" by the end of the year. Those employees in the mobility pool would garner only 75 percent of their salaries for an eight-month period in which they would be expected to seek redeployment; at the end of that period, if they were unable to secure transfers to other government departments, their jobs would be declared redundant and they would thus be unemployed. In a country with an unemployment rate of 27 percent, the path of further joblessness was not welcomed by the people.

Regardless of the unpopularity of the bill -- especially among public sector employees -- it was regarded by Greek politicians as a necessary measure intended to secure a fresh tranche of bailout funding. As such, the bill was passed with 153 affirmative votes to 140 negative votes in the Greek parliament, with conservative Greek Prime Minister Antonis Samaras saying that there was no option but to move forward with the painful legislation, in the interests of keeping Greece financially afloat. Previous austerity measures included reductions of public sector salaries and pension cuts. Yet despite this constellation of austerity measures, the fact of the matter was that Greece's debt has continued to be alarmingly high.

Editor's Note:

An ongoing GDP-debt crisis has plagued Greece in recent years. Greece's burdensome debt resulted in the need for a rescue plan from the ***European*** Union, the ***European*** Central Bank, and the International Monetary Fund, with an eye on averting sovereign default. Despite agreeing to the debt relief (or "bailout") package, the ***European*** Union, the ***European*** Central Bank, and the International Monetary Fund have not been quick to agree to the release of rescue funds for Greece, as concerns have risen about that country meeting necessary conditions -- the implementation of austerity measures and reforms -- associated with the relief package. But those very austerity measures -- while deemed vital by international lenders in order to release bailout funds to Greece -- have been rejected and condemned by the Greek public.

Special Entry

Political turmoil in Greece involves relations with far-right elements and threat of extremism

In January 2014, two members of parliament from the neo-fascist Golden Dawn party were arrested and jailed pending trial on charges of belonging to a criminal organization. The two individuals placed under arrest -- Panagiotis Iliopoulos and Yorgos Germenis -- denied the charges against them and emphasized the legitimacy of his party's political

On the other side of the equation, Greek prosecutors have long argued that they possess evidence connecting Golden Dawn to several acts of violence, including the murder of a Greek rapper in 2013. To that end, they have been carrying out a crackdown against the new-Nazi far-right group. The arrests and detainment of Iliopoulos and Germenis were the latest manifestations of that crackdown.

Going back to September 2013, several far-right members of the Greek parliament were arrested as part of a government crackdown on extremism. Among those taken into custody at the time was Nikos Mihallkiakos, the leader of the neo-fascist party, Golden Dawn. The offices of Golden Dawn were raided, while Mihallkiakos was arrested and charged with forming a criminal organization. Soon thereafter, the party's deputy leader, Christos Pappas, was also taken into custody. Several other members of parliament also faced the same fate.

The arrests of Mihallkiakos, Papas, and other Golden Dawn members occurred only weeks after a man claiming to be a supporter of Golden Dawn allegedly murdered a Greek rapper, known as "Killah P," whose music protested the rise of fascism in Greece.

In another case in September 2013, 50 Golden Dawn members wielding crowbars violently attacking members of the Communist Party as they distributed posters in a working-class district of Athens. That incident left nine people hospitalized with grave injuries. The Communist Party of Greece released a statement in regard to the attack that read as follows: "The way in which they [the attackers] acted and the weapons employed … are evidence of the murderous nature of the attack. Among the Golden Dawners, some of whom had covered their faces or wore helmets or [party] shirts, were their leaders, well-known fascists and thugs."

Muslims and Jews were not exempt from the apparent campaign of extremism and hatred. On the anniversary of the Sept. 11, 2001 terror attacks, Golden Dawn posted an anti-Semetic message on its website in which it claimed "world Zionism" was the "architect of global terrorism." Meanwhile, the Muslim Association of Greece was gifted with a letter in which members were told they would be "slaughtered like chickens" unless they left Greece.

The murder of Killah D, the violent attacks on the Communists, and the hate-filled diatribes against Muslims and Jews sparked mass protests across Greece and may have contributed to the government's decision to take action.

For its part, the government of Greece has said that the arrests of the Golden Dawn members of parliament were part of its decision to push back against extremism -- with particular attention to the rise of neo-Nazism in Greece. The government also said that it had commenced an investigation into whether or not whether extremists associated with Golden Dawn had infiltrated the country's police and military forces.

Prime Minister made it clear that Golden Dawn would not be allowed to "undermine" democracy and he emphasized the government's stance that the neo-fascist party should be treated as a "criminal organization." In response, Golden Dawn railed against the arrests of its leaders, and urged supporters to back its "just struggle against the corrupt system."

On Nov. 1, 2013, a shooting outside the office of the neo-Nazi and far-right Golden Dawn political party in Greek capital city of Athens left two party members dead and a third individual wounded.

According to accounts from Golden Dawn members of Parliament as reported by the Athens-Macedonian News Agency, two assailants on a motorcycle approached the party's office in the northern suburb of Neo Iraklio and opened fire with a rifle before escaping the scene. The party official claimed that the assailants "literally emptied their guns" on the victims, ensuring their deaths. In their post-crime investigation, police were able to recover the motorcycle believed to have been stolen and used in the attack.

While no Greek official was willing to suggest that the killings were political, it was certainly true that in 2013, politics in Greece have been dominated by acrimonious relations between the government and Golden Dawn.

In November 2013, in the aftermath of the attack on the Golden Dawn office and the deaths of two party members, it was possible that certain factions of Greek society were carrying out revenge attacks against the neo-fascist party. The Greek government was making it clear that such actions were not welcomed and would only lead the country into the realm of lawlessness. Nikos Dendias, the Greek cabinet minister responsibility for domestic security and order, said that the government would "not allow the country to become an arena for scores to be settled, for whatever reason." Dendias was clearly referencing recent events involving Golden Dawn.

In the second week of January 2014, two members of parliament from the neo-fascist Golden Dawn party were arrested and jailed pending trial on charges of belonging to a criminal organization. The two individuals placed under arrest -- Panagiotis Iliopoulos and Yorgos Germenis -- denied the charges against them. For his part, Iliopoulos insisted that they were innocent and emphasized the legitimacy of his party's political cause. In front of the media and amidst far-right supporters, he declared: "Golden Dawn is a legitimate political party taking on a sincere political struggle. We will not buckle. Golden Dawn will be victorious - Greece will be victorious."

It should be noted that Golden Dawn has won representation in parliament, with 18 members holding seats in the legislative chamber. Indeed, the party has enough support, irrespective of its neo-fascist tendencies, to claim being the third most popular party in Greece. While Golden Dawn itself denied being a neo-Nazi organization, its members tend to have pro-Hitler orientations, with Golden Dawn members notorious for participating in Nazi-style salutes, and the group's emblem is reminiscent of the Nazi swastika.

Human rights groups have warned that Golden Dawn has a record of terrorizing immigrants and political opponents, while Greek police have allowed them to do so with impunity. In fact, as indicated by the aforementioned investigation, there were suggestions that extremist members of the Golden Dawn had infiltrated the security forces. Those suggestions were somewhat backed by news reports in Greece detailing the suspension of several police officers who were believed to be associates of Golden Dawn, as well as the arrest of a police officer who was working as a bodyguard for Golden Dawn itself.

Presidential Election of 2014

A presidential election was set to be held in Greece in December 2014. A first round would be held on Dec. 1, 2014, with a second round on Dec 23, 2014, and a third round on Dec. 29, 2014. The elections were not expected to be held until the spring of 2014; however, Prime Minister Antonis Samaras and Deputy Prime Minister Evangelos Venizelos called for the vote to be moved forward. They were looking for an ally to occupy the office of the presidency in Greece, which has been in the throes of a debt crisis in recent years. At issue was an impending debt bailout package review and plans for a negotiated exit from that regime.

Stavros Dimas, the preferred candidate of the ruling New Democracy–PASOK coalition, for the presidency, was being backed by the prime minister. Dimas' main competition would come from Alexis Tsipras, the candidate of the opposition and anti-bailout party, Syriza. Indeed, with polling data indicating that Syriza, was more popular with the people of Greece that Prime Minister Samaras' New Democracy, it was quite possible that this dynamic would play out in the presidential race to Tsipras' benefit and to Dimas' detriment. A survey by GPO for MEGA TV showed support for Syriza at 28 percent while only 23 percent favored New Democracy. PASOK, which was in coaliton with New Democracy had five percent. Still, it was difficult to offer reliable prognostications since as many as 15 percent of Greeks remained undecided.

Of course, the presidential vote would ensue internally within parliament. But should New Democracy and Prime Minister Samaras fail to see their candidate, Dimas, elected as president by the third round of voting, it was quite likely that snap parliamentary elections would be triggered as a result.

On Dec. 17, 2014, the first round of voting ended inconclusively with no candidate winning enought votes outright to secure the presidency. With only 160 members of parliament voting for Dimas, 135 against him, and with only five members of the opposition voting with the ruling party, the outcome of Round One was something of an alarm bell for the prime minister ahead of the voting session later in the month.

Ahead of those subsequent rounds of voting, Prime Minister Samaras suggested that members of parliament discharge their duties seriously, given the stakes. He said, "Conditions are difficult, Greek lawmakers are aware that the country cannot afford adventures." But Alexis Tsipras, the leader and presidential candidate of the opposition and anti-bailout party, Syriza, lauded the poor performance of Dimas in the first round. He noted that the government's "strategy of fear" was not working, and added, "Democracy cannot be blackmailed."

Ultimately, at the end of December 2014 in the third and final round of voting, those aforementioned alarm bells turned out to be prescient. The parliament rejected Dimas -- Prime Minister Antonis Samaras's nominee for president. Indeed, Dimas fell short of the 180 votes in parliament needed to secure the presidency. The defeat of Dimas effectively triggered snap parliamentary elections, which were now set for Jan. 25, 2015.

Note on Feb. 18, 2015, a new president was elected to a five year term by the parliament. The winner of the presidential election was Prokopios Pavlopoulos.

Parliamentary Elections of 2015

Parliamentary elections were set to be held in Greece on Jan. 25, 2015. A presidential election had been held in Greece in December 2014 and ended in the government's failure to elect the prime minster's selection to the post of head of state. This outcome made it clear that the political landscape in Greece was fractious and effectively triggered parliamentary elections to be held at the start of 2015.

See discussion of the presidential contest above for details.

The parliamentary contest -

At stake in the snap parliamentary elections to be held on Jan. 25, 2015, would be the composition of the unicameral "Vouli ton Ellinon." That parliamentary body was composed of 300 seats with members elected by a system of reinforced proportional representation from 51 multi-seat constituencies and five single-seat constituencies; there is a three percent threshold to obtain seat and members are elected to serve maximum four-year terms.

In the previous voting exercise of 2012, there were actually two elections. An initial election was held in Greece on May 6, 2012, but yielded inconclusive results, with no one party gaining a majority or able to form a viable government coalition, despite three successive attempts at achieving that end. Accordingly, a new "re-run" election was set for June 17, 2012. At the end of that voting exercise, the center-right New Democracy won the most votes narrowly and formed a coalition government with the Socialists (known by the acronym, PASOK) as well as Democratic Left. The 2012 election result was regarded, at the time, as a ratification of Greece's continued presence in the euro ***zone***, and thus acceptance of the austerity measures needed to guarantee a debt rescue program.

In 2015, however, the political and economic climate had shifted. While the elections would again be dominated by the debt crisis rocking Greece, the Greek citizenry was now deeply frustrated -- and even angry -- over the austerity terms of a massive bail-out package funded by the International Monetary Fund and the ***European*** Union to rescue the country from default. With a review of that package on the horizon, and with hopes for an early exit from the bail-out program looming, the radical leftist Syriza party, which wants to cancel that arrangement, had gained support. Indeed, Syriza was now consistently leading the polls.

Should Syriza's advantage prevail on election day, Greece could well be positioned to make some radical economic moves, which were sure to send shockwaves through the entire euro ***zone***. For its part, Prime Minister Samaras' New Democracy was campaigning on the fact that under its stewardship, Greece had actually turned an economic corner, and were finally posting some growth and had ended a four-year exile from bond markets.

That argument appeared to hold resonance as in the first week of January 2015, Syriza's polling lead was decreasing and New Democracy was seeing a rebound. The Socialists (PASOK) were trailing far behind -- in fact, behind the far-right xenophobic (regarded as neo-Nazi) Golden Dawn, which was in third place, according to various polling outlets. The Socialists' prospects were not likely to be boosted by an internal split, which was triggered by former Greek Prime Minister George Papandreou's announcement of a new breakaway party, called "Movement for Change." Since there is a three-point threshold for participation in parliament, if the loyal Socialist voters were split between PASOK and Movement for Change, neither party might end up positioned to participate in parliament.

In the second week of January 2015, the trend discussed above was holding steady. Syriza had a small but consistent lead of about three percent, according to various polling outlets, over New Democracy.

In the third week of January 2015, Syriza appeared to be consolidating its advantage with a series of polls showing the anti-bailout party leading Prime Minister Samaras' New Democracy party by a margin of at least five percentage points. Of note was the fact that the newly-formed centrist party To Potami (River) had narrowly edged out both the Communists and the far-right xenophobic Golden Dawn to be in third place. Trailing far behind and unlikely to make up enough ground to enter parliament were the Socialists or PASOK (in government with New Democracy) and Movement for Change. Going into the elections, these basic trendlines were holding with Syriza holding a steady and significant lead over the other parties of between five and six percentage points.

At a final election rally ahead of the vote, Syriza leader, Alexis Tsipras, declared: "Light has won over darkness. Victory and a majority are within our grasp."

It was to be seen if Syriza's expected victory would come to pass on election day, and if the party would yet gain enough seats to command an outright majority in parliament. Without an outright majority, a governing coalition would have to be formed and it was unclear that Syriza would be the type of entity prepared for compromise.

On election day on Jan. 25, 2015, Greek voters went to the polls to cast their ballots. After the polling stations closed, the task of counting the ballots commenced. At the time of writing, the results showed a big win for the anti-bailout party, Syriza.

In fact, Syriza was holding 36 to 38 percent of the vote share and was on track to win as many as 149 seats -- just two seats short of an absolute majority. The outgoing ruling party, New Democracy, was trailing behind in second place with between 26 and 28 percent. Vying for third place were the neo-Nazi Golden Dawn and the newly-established centrist party, Potami (River). The other parties made up the remainder.

New Democracy wasted little time in conceding defeat while Syriza said that its victory was "a return of social dignity and social justice." In an interview with Greek media, Syriza spokesperson Panos Skourletis said, "What's clear is we have a historic victory that sends a message that does not only concern the Greek people, but all ***European*** people."

Governance and government formation:

At the top of the agenda for the new government of Greece would be the matter of attending to the bailout packages. With Greece's arrangement with the euro ***zone*** set to expire on Feb. 28, 2015, even with continued support from the International Monetary Fund, Greece would have to be part of a ***European*** treaty entity to procure remaining rescue loans and be positioned to receive future support from the ***European*** Central Bank. Thus, Greece would essentially have to retain its position as a euro ***zone*** country within the ***European*** Union. However, Syriza leader, Tsipras, was showing no urgency on the matter of negotiating an agreement to address these collective concerns, insisting that he had at least half a year to negotiate a deal with Greece's creditors.

Going back to 2010, Greece was in the midst of a debt-to-GDP crisis and at risk of sovereign default. As a result of that crisis, and with the contagion effect on other euro ***zone*** countries in the ***European*** Union at stake, Greece was the recipient of a rescue package from the ***European*** Union (EU) and the International Monetary Fund (IMF). That package was dependent on Greece's agreement to implement austerity measures and other structural reforms, and ultimately repay its bailout funds. These terms have long been regarded as harsh by the Greek citizenry, giving rise to the popularity of Syriza, the anti-bailout party, which emerged as a protest entity to the dictates of the global financial system. Worth noting, however, is the fact that as painful as most countries tend to find austerity measures characteristic of structural adjustment programs, Greece's debt problems have at least partially been due to the fact that a wide swath of the Greek population does not pay its taxes. Without taxes, a country simply does not have sufficient funds in its coffers to service its debts. Also contributing to Greece's debt crisis has been its bloated public sector -- an area targeted for reform to the great consternation of Greeks.

But for the incoming leader of Greece, the focus was not so much on continuing the work of the previous New Democracy government and reforming the economy; instead, it was on delivering a message of defiance to Greece's creditors. The keystone of Alex Tsipras' victory speech as as follows:

"Our victory is of all the peoples of Europe who are struggling. I would like to assure you the new Greek government will be ready to co-operate and negotiate with our friends, with a just and useful solution so that Greece will return Europe to development and social stability and values like democracy and solidarity. In this sincere dialogue, Greece will come with its own proposals, its own national plan of reforms and radical changes with a four-year plan, without shortages, without unrealistic proposals about our debt. The new Greek government will prove the Cassandras wrong. No mutual conflict but no continuation of our submission in front of us. We have a great opportunity for a new beginning a new Europe."

On Jan. 26, 2015, Tsipras was sworn into power as the new Greek prime minister without the traditional accompaniment of a Bible and blessing of basil and water from the Greek Archbishop, opting instead for a secular ceremony in which he promised to uphold the constitution.

Tsipras then formed a new hardline, anti-bailout government with a fringe party, Independent Greeks, which has opposed the ***European*** Union/International Monetary Fund rescue program. That was likely the beginning and end of the compatibility between Syriza and the Independent Greeks, given the two arties' divergent views on immigration. In fact, it was the Independent Greeks' "far-right" views on immigration that repelled the centrist group, Potami (River), and convinced that party's leader, Stavros Theodorakis, to stay out of the new coalition government.

Nevertheless, Syriza's 149 seats, in combination with the Independent Greeks' 13 seats, would give the coalition a majority in the 300-seat parliament. Their ideological alliance opposed to austerity and bailouts would likely provide a shared policy vision for moving forward in the immediate future.

In his first major act as prime minister, Tsipras unveiled his cabinet. The ministerial portfolios were to be held by no shortage of anti-austerity veterans, making clear that he was moving forward with an anti-austerity agenda and his plan to renegotiate Greece's massive debts. Of note was the inclusion in government of the academic economist, Yanis Varoufakis, as the new finance minister. Also of note was the inclusion of Panos Kammenos, the leader of the right-wing Independent Greeks (the junior coalition partner to Syriza), as defense minister.

Special Report

Job 1: Servicing Greek debt --

With its future in Euro ***zone*** at stake, Greece finally strikes an agreement with its creditors; new bailout deal filled with harsh austerity measures and major compromises for Greece

Summary:

The spring of 2015 saw Greece under pressure as it suffered a "liquidity crunch" at a time when several bills and debt obligations were due to be paid. That liquidity crunch could be alleviated by the release of a tranche of rescue funds from Greece's international creditors; however, those creditors - including the finance officials of the Euro ***zone*** and the International Monetary Fund - were looking for a comprehensive structural reform plan from Greece to be submitted for approval. In that plan, Greece's creditors were looking for serious austerity measures intended to rein in its social welfare spending, such as reductions of civil service pensions. However, the Greek people have made clear that the radical Syriza government they elected to power at the start of 2015 had to keep its election promises, which included an end to austerity measures and the safeguarding of the social welfare state. Clearly, those demands were in diametric opposition to the imperatives of Greece's international creditors.

Faced with the impossibility of the situation, the Syriza government was considering a referendum, which if ratified, would give the government a mandate to move forward with a plan that could meet the demands of other ***European*** finance ministers. The referendum idea aside, another option for Greece would be to default on its payments, exit the Euro ***zone***, and re-adopt the Drachma as its currency. Such a path would likely be catastrophic for Greece; however, the Euro bloc was increasingly frustrated by Greece's failure to meet its reform demands and thus concomitantly accepting of the idea of a "Grexit" from the Euro ***zone***. What had been unfathomable and unpalatable several years prior was now becoming a real possibility on the Euro ***zone*** landscape as the clock ticked ever so close to the June 2015 deadline. That deadline would mark the time when Greece would have to advance its reform agenda in order to secure rescue funding.

As talks with the Euro ***zone*** and the International Monetary Fund hit an impasse in mid-June 2015, speculation about either snap elections or painful compromises began to surface, along with continued rumination over a Greek exit from the Euro ***zone***. Finally, on the eve of the highly anticipated June 30, 2015, deadline, Greece rejected a rescue proposal set forth by the ***European*** Commission intended to prevent a Greek default. Instead, Greek Prime Minister Tsipras said his country would hold a referendum to seek public ratification on the proposal although he urged fellow citizens to vote against it. His government's position was that a strong national "no" vote would add to Greece's leverage against its creditors. Those creditors, however, reminded Greece that a failure to forge a deal with them on structural reforms prior to that June 30, 2015, deadline would essentially result in default and augur catastrophic consequences for Greece.

Greeks were thus set to go to the polls on July 5, 2015, to vote in a referendum on the very rescue package that the Greek prime minister had already rejected. After the votes were counted, the result showed a decisive "no" vote as Greeks overwhelmingly rejected the rescue package by ***European*** creditors. This result meant that Greece was now effectively wading into uncharted territory.

With a sense of urgency at stake and the clock ticking, the Euro ***zone*** issued a deadline for Greece to present new proposals for consideration.

With two hours to spare, Greece met that deadline although the new slate of proposals from Greece were essentially a repeat of the package Greece's creditors offered in June 2015. A key distinction in this new blueprint was the inclusion of a call for increased rescue loans as well as debt relief for Greece.

Finally, on July 13, 2015, a deal to rescue Greece from economic crisis had been reached. The new agreement mandated that the Greek government legislatively ratify and then institute a collection of strict austerity measures. There were also harsh demands by hardliners that were sure to raise the ire of Greek nationalists. It was apparent that Greece's creditors were trying to deliver the message that they now held the power. The good news for Greece was that the full meeting of the ***European*** Union was cancelled, making it clear that no vote on a "Grexit" would be held immediately. But while Greece could sigh with proverbial relief over this economic lifeline, the fact of the matter was that the country would have to chart a difficult path forward -- and one that was likely to be unpopular with the Greece citizenry.

To that end, by August 2015, the Greek prime minister had carried out a cabinet shuffle to purge the government of disloyal Syriza members; he was also trying to assuage his party regarding the unpalatable reformist path it has taken. That attempt was not yielding desired results. Instead hardliners within Syriza split from the party to form their own breakaway group and Prime Minister Tspiras resigned as the head of government given his loss of a parliamentary majority. While rival parties tried to establish a replacement coalition government, the fact of the matter was that Greek citizens were headed back to the polls later in the year 2015 for repeat parliamentary elections. It was to be seen if Tspiras' popularity would be enough to return him to power.

Background:

The radical left wing and anti-bailout party, Syriza, won the January 2015 parliamentary elections in Greece. In the aftermath of those polls, Prime Minister Alexis Tsipras then formed a new hardline, anti-bailout government with a fringe party, Independent Greeks, which has opposed the ***European*** Union/International Monetary Fund rescue program.

At the top of the agenda for the new government of Greece would be the matter of attending to the bailout packages. With Greece's arrangement with the euro ***zone*** set to expire on Feb. 28, 2015, even with continued support from the International Monetary Fund, Greece would have to be part of a ***European*** treaty organization to procure the remaining rescue loans and to be positioned to receive future support from the ***European*** Central Bank. Thus, Greece would essentially have to retain its position as a euro ***zone*** country within the ***European*** Union. However, Syriza leader Tsipras was showing no urgency on the matter of negotiating an agreement to address these collective concerns, insisting that he had at least half a year to negotiate a deal with Greece's creditors.

Going back to 2010, Greece was in the midst of a debt-to-GDP crisis and at risk of sovereign default. As a result of that crisis, and with the contagion effect on other euro ***zone*** countries in the ***European*** Union at stake, Greece was the recipient of a rescue package from the ***European*** Union (EU) and the International Monetary Fund (IMF). That package was dependent on Greece's agreement to implement austerity measures and other structural reforms, and ultimately repay its bailout funds. These terms have long been regarded as harsh by the Greek citizenry, giving rise to the popularity of Syriza, the anti-bailout party, which emerged as a protest movement in response to the dictates of the global financial system. Worth noting, however, is the fact that as painful as most countries tend to find austerity measures characteristic of structural adjustment programs, Greece's debt problems have at least partially been due to the fact that a wide swath of the Greek population does not pay its taxes. Without taxes, a country simply does not have sufficient funds in its coffers to service its debts. Also contributing to Greece's debt crisis has been its bloated public sector -- an area targeted for reform to the great consternation of Greeks.

But for the incoming leader of Greece, the focus was not so much on continuing the work of the previous New Democracy government and reforming the economy; instead, it was on delivering a message of defiance to Greece's creditors. The keystone of Alex Tsipras' victory speech as follows:

"Our victory is of all the peoples of Europe who are struggling. I would like to assure you the new Greek government will be ready to co-operate and negotiate with our friends, with a just and useful solution so that Greece will return Europe to development and social stability and values like democracy and solidarity. In this sincere dialogue, Greece will come with its own proposals, its own national plan of reforms and radical changes with a four-year plan, without shortages, without unrealistic proposals about our debt. The new Greek government will prove the Cassandras wrong. No mutual conflict but no continuation of our submission in front of us. We have a great opportunity for a new beginning a new Europe."

On Jan. 26, 2015, Tsipras was sworn into power as the new Greek prime minister without the traditional accompaniment of a Bible and blessing of basil and water from the Greek Archbishop, opting instead for a secular ceremony in which he promised to uphold the constitution.

Tsipras then formed a new hardline, anti-bailout government with a fringe party, Independent Greeks, which has opposed the ***European*** Union/International Monetary Fund rescue program. That shared opposition to the bailout package was likely the beginning and end of the compatibility between Syriza and the Independent Greeks, given the two parties' divergent views on immigration. In fact, it was the Independent Greeks' "far-right" views on immigration that repelled the centrist group, Potami (River), and convinced that party's leader, Stavros Theodorakis, to stay out of the new coalition government.

Nevertheless, Syriza's 149 seats, in combination with the Independent Greeks' 13 seats, would give the coalition a majority in the 300-seat parliament. Their ideological alliance opposed to austerity and bailouts would likely provide a shared policy vision for moving forward in the immediate future.

Greek seeks rescue funds; Greece's creditors seek reform commitments --

In his first major act as prime minister, Tsipras unveiled his cabinet. The ministerial portfolios were to be held by no shortage of anti-austerity veterans, making clear that he was moving forward with an anti-austerity agenda and his plan to renegotiate Greece's massive debts. Of note was the inclusion in government of the academic economist, Yanis Varoufakis, as the new finance minister. Also of note was the inclusion of Panos Kammenos, the leader of the right-wing Independent Greeks (the junior coalition partner to Syriza), as defense minister.

Varoufakis, who was a professor at the University of Texas, gained notoriety due to his vociferous excoriation of the bailout regime, referring to it as "fiscal waterboarding" while warning that it was transforming Europe into a "Victorian workhouse." But it was apparent that he was prepared to moderate such language as finance minister, saying to media that he had participated in an "encouraging and inspiring" conversation with Jeroen Dijsselbloem, the head of the euro ***zone***'s finance ministers. However, Varoufakis insisted that he would not negotiate with the so-called "troika" of global institutions overseeing Greek debt (i.e. the ***European*** Commission, the ***European*** Central Bank and International Monetary Fund). Instead, he suggested that he would look to negotiating with individual ***European*** countries and organizations. It was to be seen if such a path was even feasible.

For his part, Dijsselbloem said that Greeks should not hold on to unrealistic expectations, and that the act of electing Syriza did not change the realities that Greek debt would have to be repaid. He said, "We all have to realize and the Greek people have to realize that the major problems in the Greek economy have not disappeared and haven't even changed overnight because of the simple fact that an election took place."

Nevertheless, the new Greek government had high hopes that its debt obligations would be forgiven. German Finance Minister Wolfgang Schaeuble, who warned Greece that its tactics would not be indulged, including its demands to have its debt written off, quickly dissolved those high hopes. He said, "There's no arguing with us about this, and what's more we are difficult to blackmail."

Likewise, German Chancellor Angela Merkel made clear the ***European*** Union would not be renegotiating the terms of the Greek rescue package. In an interview with the newspaper, Die Welt, Merkel said, "I do not envisage fresh debt cancellation. There has already been voluntary debt forgiveness by private creditors, banks have already slashed billions from Greece's debt." That being said, Merkel added that she hoped Greece would remain in the euro ***zone***. She said, "The aim of our policy was and is that Greece remains permanently part of the euro ***community***. Europe will continue to show its solidarity with Greece, as with other countries hard hit by the crisis, if these countries carry out reforms and cost-saving measures."

Meanwhile, Athens was showcasing its defiance as it moved forward with its anti-austerity agenda. Prime Minister Tsipras soon halted privatization plans for the Port of Piraeus that had been agreed under the country's rescue package, and said that similar moves were in place as regards the privatization of Public Power Corporation of Greece, Greece's biggest utility company, as well as the refiner, Hellenic Petroleum. In truth, Greece's privatization program had, thus far, yielded far les revenue than had originally been envisioned; thus, a halt in this arena was to be expected.

In the offing, however, were further measures aimed at reconstituting the welfare state, such as free electrical power and food stamps for Greeks, as well as labor changes, including the reversal of the reduced minimum wage and the restoration of collective bargaining rights for unions. These moves, along with Tsipras' promise to abolish the higher "crisis" taxes that were implemented in the midst of the Greek debt fracas, have spurred questions as to how exactly the Greek government intended to pay for all the programs mentioned above.

One measure of funding for Greece was through Germany -- but not via the contemporary ***European*** Union channels; instead, it relied on history and the notion of historic debt. Greek Prime Minister Tsipras demanded that Germany pay reparations for World War Two, including the repayment of a loan that the Nazis forced the Bank of Greece to pay when they occupied Greece. According to the Greek prime minister, there was an outstanding "moral obligation to our people, to history, to all ***European*** peoples who fought and gave their blood against Nazism." It was to be seen if, in 2015, this argument would be regarded as valid.

German Foreign Minister Frank-Walter Steinmeier acknowledged the political and moral responsibilities of his country for the "terrible events" in Greece during the Nazi occupation from 1941 to 1944. However, he made clear that Germany had already addressed those responsibilities, saying, "We are firmly convinced that all reparations issues, including forced loans, are judicially settled once-and-for-all."

In February 2015, weeks after coming to power, Prime Minister Tsipras made clear that his newly-elected government was committed to moving forward with its pre-election promises, irrespective of the questions as to how those social programs would be paid for. In a speech before parliament on Feb. 8, 2015, Tsipras declared that the government's "irreversible decision is to implement in full our pre-elections pledges."

The prime minister also said that his country was seeking a bridge loan rather than an extension of its current rescue package to service its massive debt. In a speech to parliament, he said, "The bailout failed. The new government is not justified in asking for an extension... because it cannot ask for an extension of mistakes."

Of course, the ***European*** Union had a different view. Already the ***European*** Union had made it clear that it was not prepared to renegotiate Greece's bailout terms. Now, in response to Prime Minister Tsipras' call for a loan rather than an extension of the existing bailout package, Jeroen Dijsselbloem, the head of the euro ***zone***'s finance ministers, said that the only option on the table was for Greece to apply for a bailout extension. Dijsselbloem said, "We don't do bridging loans." Placing more pressure on the new Greek government was the move by the ***European*** Central Bank making it clear that Greek banks could no longer access ECB credit by using Greek government bonds.

For its part, Germany, the euro ***zone***'s main player and Greece's biggest creditor, maintained its strict stance that Greece would have to go forward with its structural reforms if it wished to have continued support. German Finance Minister Wolfgang Schaeuble made a point of noting that Greece had lived beyond its means for far too long time. Left unsaid was the reality that German taxpayers should not have to pay for Greek social programs when that country refused to attend to its unsustainable financial regime.

At home in Greece, the new anti-bailout and anti-austerity government had popular backing for its stance at home. Greeks were taking to the streets to rally in support of the Syriza-led government's position, and polling data showed that as many as 75 percent of Greeks supported the hardline policies of the prime minister. That position was ratified in parliament in the second week of February 2015 when Tsipras won a confidence vote, paving the way for the cancellation of the rescue program discussed here. In an address to parliament, he declared: "We are not negotiating the bailout; it was cancelled by its own failure." He continued, "I want to assure you that there is no going back. Greece cannot return to the era of bailouts."

In mid-February, Greek Finance Minister said in an article in the New York Times that his country would not be treated as a "debt colony" subjected to "the greatest austerity for the most depressed economy." Meanwhile, Greek Defense Minister Panos Kammenos also indicated that if the ***European*** Union was unwilling to bow to its demands, then it would look to Russia or China for funding. Seemingly, Greece preferred to become a client state of one of the eastern powers -- Russia or China -- rather than seek a compromise with the West in the form of the ***European*** Union.

By Feb. 16, 2015, talks between Greece and the euro ***zone*** finance group collapsed when the government of Greece rejected a proposal by the Euro bloc that would entail a request for a six-month extension to the existing bailout package. Jeroen Dijsselbloem, the head of the euro ***zone***'s finance ministers, said that Greece would have until Feb. 20, 2015, to apply for an extension or the rescue program would expire, on schedule, at the end of February 2015. But the government of Greece rejected the proposal, casting it as unacceptable. With the extension now off the proverbial table, and with the new government committed to reversing austerity measures, it was unclear how Greece intended to service its debt and pay for its social welfare programs.

A new attempt to address Greece's debt woes was expected to take place on Feb. 18, 2015, when Greece would apparently seek an extension on a loan -- but not one coinciding with the current rescue regime. Stated differently, the "extension" would have to be crafted in such a way as to maintain the appearance of continuity while also ending the current austerity programs demanded by Greece. It was to be seen if such a creative resolution could be forged -- and accepted -- by all key parties.

After days of contentious and intense negotiations, it was announced that an agreement had been reached to extend Greece's bailout package for four months. The deal, which was reached during emergency talks between the Greek government and euro ***zone*** finance ministers, would allow Greece to access US$271 billion in rescue funds (roughly 240 billion euro).

While this agreement would give Greece some time to address its economic woes, it was hardly an enduring resolution for the debt-stricken country. Nevertheless, Jeroen Dijsselbloem, the head of the euro ***zone***'s finance ministers, hailed the agreement, saying, "I'm glad to report to you that the work has paid off. We have established common ground again." He continued, "I think tonight was a first step in this process of rebuilding trust. As you know trust leaves quicker than it comes. Tonight was a very important, I think, step in that process." Greek Finance Minister Varoufakis signaled a similar message, as he said, "The four-month period will be a time to rebuild new relations with Europe and the IMF."

Central to the deal was Greece's commitment to honor its debt obligations, and its vow to unveil a list of economic reform measures aimed at addressing its debt woes. Greek Finance Minister Yanis Varoufakis said he would be working hard in the following days to come up with a new plan aimed at introducing reforms, presumably not of the type the Greek people would view as harsh austerity measures. That list was presented late on Feb. 23, 2015, and included measures such as combating tax evasion, tacking corruption, pausing on a reversal of the privatization process, eliminating incentives for early retirement, reducing the number of government ministries, and reforming the public sector.

The ***European*** Commission and the ***European*** Central Bank (ECB) responded to the Greek reform proposal by noting that it was a "valid starting point." However, they were still looking for further measures to be implemented. The head of the ECB, Mario Draghi, said that the Greek proposal "differs from existing programme commitments in a number of areas." He added that there would have to be an assessment process by which some listed reforms were "replaced with measures of equal or better quality." The head of the International Monetary Fund (IMF), Christine Lagarde, struck a similar tone saying, "In some areas like combating tax evasion and corruption, I am encouraged by what appears to be a stronger resolve on the part of the new authorities in Athens. In quite a few areas, however, including perhaps the most important ones, the letter is not conveying clear assurances that the government intends to undertake the reforms envisaged."

Greece seeks external support -

In the first part of April 2015, Greek Prime Minister Alexis Tsipras traveled to the Russian capital of Moscow for talks with Russian President Vladimir Putin. Russia had been one of Greece's leading trading partners; however, bilateral trade between the two countries had decreased due to sanctions on Russia for its military engagement in Ukraine, and also because of the Greece's own existing economic challenges.

Tsipras's meeting in Russia sparked speculation about a potential bid by Greece to curry favor with alternative global powers, given its strained relations with the ***European*** Union over a financial rescue package. For some time, Greece has argued that it should not be burdened by strenuous structural adjustment and debt reform programs required by a prevailing bailout regime. This position was not shared by Greece's rescue funding creditors at the ***European*** Union and the International Monetary Fund, who have insisted that Greece meet its financial obligations. Given this climate of dissonance, in February 2015, Greek Finance Minister Yanis Varoufakis warned that his country would not bend to the will of the so-called "troika" of global institutions overseeing Greek debt (i.e. the ***European*** Commission, the ***European*** Central Bank and International Monetary Fund). Instead, he said Greece would look to other countries for support. The April 2015 trip by Greek Prime Minister Alexis Tsipras to Russia was thus being viewed as a means to cultivate relations with new international partners.

Reports from Russia indicated that while Russian President Putin offered moral support to Greece, there was no significant financial aid coming from Moscow. Putin said that Russia would entertain granting Greece loans for join projects, likely in the energy sector, which might be mutually beneficial. To this end, Putin explained, "We discussed cooperation in various sectors of the economy, including the possibility of developing major energy projects." He continued, "Under these plans, we could provide loans for certain projects." One possible arena for energy cooperation could be the extension to the Turkish Stream pipeline, which would transport Russian gas from Turkey to Europe via Greece. Putin also said that bilateral trade relations with Greece should be restored. While Putin might be interested in bringing Western countries into its orbit, the fact of the matter was that Russia had its own financial woes to confront, thus limiting its own capacity to extend a more direct financial hand in Greece.

Nevertheless, the trip marked a strengthening of overall relations between the two countries. Indeed, Greek Prime Minister Tsipras distanced his country from the rest of Europe in its stance towards Russia, which had become something of a global pariah after the annexation of Crimea and ongoing intervention into the Ukrainian crisis. Tspiras insisted, "Greece is a sovereign state with an indisputable right to its own foreign policy." He then broke ranks with the ***European*** Union, condemning the punitive measures imposed by the West on Russia and urging an end to the "vicious cycle of sanctions." Tsipras was also anxious to dismiss suggestions that he had flown to Moscow to ask for financial aid. He said, "Greece is not a beggar going around to countries asking them to solve its economic problem, an economic crisis that doesn't only concern Greece but is a ***European*** crisis."

Negotiating Rollercoaster --

Greece has insisted that Germany -- the most powerful player in the euro bloc -- should pay war reparations for the Nazi occupation during World War Two, when the Bank of Greece was forced to pay loans to the Nazi-led government of Germany at the time. Greek Prime Minister Tsipras was on the record declaring that there was an outstanding "moral obligation" by Germany to address this debt. But German Foreign Minister Frank-Walter Steinmeier had already acknowledged the political and moral responsibilities of his country for the "terrible events" in Greece during the Nazi occupation from 1941 to 1944, and he had already reminded Greece that Germany had addressed those war reparations responsibilities. For his part, German Economy Minister Sigmar Gabriel referred to this ongoing argument by Greece as "dumb."

Mid-April 2015 was the stated schedule for Greece to produce a revised list of reforms that would be needed to secure forthcoming rescue funds. While Greece managed to meet a deadline to repay 460 million euros to the International Monetary Fund earlier in the month, the country would be faced with larger and more pressing debt repayments (to renew Treasury bonds and to repay loans). It was to be seen if it would be able to meet those obligations.

Following talks in Belgium in mid-April 2015, Euro ***zone*** officials were shocked that Greece did not meet this requirement. Instead, Greece produced no serious structural reform plan, and refused to discuss reductions of civil service pensions or any other expensive aspects of the welfare state. Making matter worse, one source said in an interview with the German publication, Frankfurter Allgemeine Sonntagszeitung, that the Greek representative demanded rescue funds "like a taxi driver." Greece was given a deadline of April 24, 2015, to produce a revised economic reform plan. Euro ***zone*** officials warned that the new plan would have to be ambitious. It was to be seen if that deadline would be met and if the proposal would be deemed acceptable by Greece's ***European*** creditors.

In the third week of April 2015, with a loan repayment due the following month, Greece was under pressure to pay its bills. In its desperation to find available cash to pay its bills (public wages and pensions), Greece was tapping into public cash reserves from municipalities. Local governments and opposition parties railed against the move, with local officials threatening to ignore the demand for funds, and with opposition politicians accusing the Syrize government of acting arbitrarily and not respecting the constitution.

Pressure was also coming from outside Greek borders, with Euro bloc powers demanding that the Greek government submit a substantive reform plan in order to secure future rescue funds, and with a significant repayment to the International Monetary Fund due. There were challenges on both fronts. First, as discussed here, Greece was not actively pursuing a structural reform agenda of the type needed to satisfy the country's creditors. Second, it was reported by the Financial Times that Greece had asked for a delay its loan repayment to the International Monetary Fund but was rebuffed. In truth, a delay in a repayment to a developed country like Greece would be unprecedented, while delays of this sort to developing countries in the past had not yielded positive results. As such, the International Monetary Fund was not inclined to move in this direction.

Euro bloc powers were eager to remind Greece that it was not likely to find creditors elsewhere, with German Finance Minister Wolfgang Schaeuble noting that while the Greek government could try to curry favor -- and funding -- from Russia or China, the reality was that it would be difficult to actually secure other creditors. He said, "The Europeans have said, OK, we are ready to do it [lend money] until 2020... If you find someone else, whether it's in Beijing, in Moscow, in Washington D.C., or in New York who will lend you money, ok, fine, we would be happy. But it's difficult to find someone who is lending you in this situation amounts [of] 200 billion euros."

For his part, Greek Prime Minister Tsipras seemed determined to project an image of optimism as he insisted that the Greek government would reach a deal with its creditors. He said, "Despite the cacophony and erratic leaks and statements in recent days from the other side, I remain firmly optimistic that there will be an agreement by the end of the month." He said that progress had been made in the arenas of tax collection, tax distribution, and corruption. However, he admitted that there remained disagreements in certain arenas, such as privatization, labor and pension reforms, and value-added taxes. Of course, those were the very arenas that the Euro bloc was targeting for Greek structural adjustment.

It should be noted that Euro ***zone*** finance ministers had a completely different tone from the optimism imbued in Prime Minister Tsipras' claims discussed above. Instead, during a meeting with Greek Finance Minister Yanis Varoufakis, Euro ***zone*** officials characterized the talks as "going nowhere." Some even suggested that as Greece moved close to the precipice of bankruptcy, it was time to prepare for default, believing that the effort to try to save Greece had gone on long enough. They indicated that Greece's refusal to get serious with a reform agenda made it clear that Greece did not want to be "saved" in the first place.

As April 2015 came to a close, finance ministers from the Euro ***zone*** warned Greece that no further financial aid would be advanced without the submission of a comprehensive economic reform and restructuring plan. Jeroen Dijsselbloem, the finance minister from the Netherlands, said: "A comprehensive and detailed list of reforms is needed." Dijsselbloem also warned that funds to Greece would be frozen until Greece presented a complete reform proposal as he added, "A comprehensive deal is necessary before any disbursement can take place ... We are all aware that time is running out."

No further meetings between the Greek government and Euro ***zone*** officials were scheduled until the second week of May 2015 -- the very deadline when Greece would be expected to make a large repayment to the International Monetary Fund (IMF).

Ahead of that meeting between the Greek government and Euro ***zone*** officials in mid-May 2015, Greek Finance Minister Yanis Varoufakis acknowledged that an agreement to abate Greece's money woes was not going to be reached easily. In an interview with Greek media, Varoufakis said, "The Greek government is struggling in a very tough negotiating fight to achieve an agreement that will not only be an agreement to have a disbursement but one that will deliver a substantive hit to the crisis." He continued. "I think the solution will be given in the coming days and not necessarily today. We will do whatever we can to achieve [re: liquidity] relief today.

But officials of the Euro ***zone*** warned that they did not foresee any moves that would allow the ***European*** Central Bank to raise the limit on short-term Treasury bills that Greek banks could buy. That was the measure Greece was hoping to achieve in order to avert bankruptcy. Not surprisingly, Greek Finance Minister Yanis Varoufakis thusly warned that his country's financial situation was "terribly urgent" with a liquidity crisis in the offing. He added, "The liquidity issue is a terribly urgent issue. It's common knowledge, let's not beat around the bush." Indeed, Greece's financial coffers were so low that the government was raiding public funds to pay for its commitments.

To that end, reports from Greece indicated that the country did indeed meet its obligations by the mid-May 2015 deadline for repayment of 750 million euros (approximately US$834 million) to the International Monetary Fund. The Greek finance ministry reported that the order for repayment was executed on May 11, 2015. According to the mayor of the Greek city of Thessaloniki, the funds came from his country's cash reserves. However, some of the money also ironically came from the International Monetary Fund (IMF) itself.

Deadlines and Default --

The end of May 2015 would see Greece needing about 2.5 billion euros funds to pay for its salary and pension obligations. The next major deadline would come in late May-early June 2015 when Greece would be expected to submit a comprehensive reform deal in concert with its international creditors, in order to secure a tranche of rescue funds. That would also be the period when ***European*** powers, particularly Germany, would need a viable agreement on the table to be approved in parliament before moving forward one way or another. Increasingly, German lawmakers were turning sour on the idea of saving an unwilling Greece from its own economic perils. As such, sufficient time was needed to persuade a majority of members of parliament to approve the deal. Also of significance was the fact that the actual bailout agreement between Athens and the Euro ***zone*** was set to expire at the close of June 2015.

Speaking on behalf of Euro ***zone*** finance ministers, Chairman Jeroen Dijsselbloem warned that any further disbursements of funds to Greece would be contingent on the formation of a complete agreement. He said, "There are time constraints and liquidity constraints and hopefully we will reach an agreement before time runs out and before money runs out."

In the streets of Greece, the Greek people have made it clear that the radical Syriza government they elected had to keep its election promises, which included an end to austerity measures and the safeguarding of the social welfare state. However, those demands were in diametric opposition to the imperatives of Greece's international creditors, who require a comprehensive structural adjustment program to be implemented in Greece before it will provide further rescue funds. Faced with the impossibility of the situation, the Syriza government has said that it might have to hold a referendum in order to ratify any agreement forged with ***European*** finance ministers.

It was an idea that was gaining resonance across the ***European*** Union. Euro ***zone*** authorities were realizing that Greece -- and specifically the Greek government operating on behalf of the people -- needed a mandate to move forward, while the Greek people themselves had to be committed to its continued participation in the regional monetary body. That commitment required a reshaping of Greek economic behavior, and specifically, required Greece to live within its means rather than repeatedly violating the financial rules set for all Euro ***zone*** countries.

Accordingly, Germany Finance Minister Wolfgang Schaueble said of the referendum idea, "Maybe this would be the right measure to let the Greek people decide if it is ready to accept what is necessary." He expanded on his stance saying, "If the Greek government thinks it must hold a referendum, then let it hold a referendum. That might even be a helpful measure for the Greek people to decide whether it is ready to accept what is necessary, or whether it wants something different."

But the chairman of the Euro bloc, Jeroen Dijsselbloem, was not so sanguine on the notion of a referendum, warning that the schedule of such an endeavor would ***slow*** down the entire process, including the disbursement of billion euros in frozen bailout funds. He said, "Presumably if you have a referendum you will not start implementing before you have done it and then it doesn't seem to make sense."

It should be noted that polling data by Marc pollsters for the Ton Syntakton newspaper in mid-May 2015 showed that the vast majority of Greeks wished to stay in the Euro ***zone***. Indeed, 76.9 percent of Greeks expressed that view with only 19.2 percent favoring a return to the Drachma. Polling data also indicated some breathing room for the radical Syriza government, with 51.1 percent of respondents saying that the government should continue to govern from the helm even if negotiations with international creditors arrive at an impasse; only 22.8 percent actually favored a referendum on Greece's future in the euro ***zone***, while a small minority -- 16.6 percent -- favored fresh elections.

Another option available to Greece would be default and a Greek exit from the Euro ***zone***, known colloquially as "Grexit." Some Greek politicians were calling for a default and the withdrawal from the Euro ***zone***, insisting that the terms for continued participation were too onerous for the Greek people. Left unstated by these individuals was the likely catastrophic consequences of this path, which would very likely include capital controls on banks, the collapse of some financial entities, inflation particularly on imports, and the complete collapse of investment.

Of note was the fact that the year 2015 was quite different from the 2011 period when the notion of a Greek default fueled fears of contagion across the southern countries of the Euro bloc. Since 2011, a bailout fund had been established in the Euro ***zone***, and other banking protections had been introduced. As such, the Euro ***zone*** was now better positioned to withstand a theoretical Greek default. Moreover, with other Southern ***European*** countries on the brink, such as Spain, where the populist party, Podemas, was gaining steam, a more unwieldy economic crisis was looming ahead with a much bigger economy to consider. For some ***European*** countries, a Greek refusal to reform, followed by inevitable default, could function as an economic cautionary tale of sorts.

As May 2015 came to an end, Greece was in a financially perilous position with no deal on the horizon to be forged with its international creditors. Moreover, Greek Interior Minister Nikos Voutsis admitted that his country had "no money" to fund scheduled repayments to the International Monetary Fund , which were set to commence on June 5, 2015.

Ahead of that first repayment deadline, a spokesperson for the International Monetary Fund, William Murray, warned that Greece would be denied additional financing if it missed a loan payment. Murray noted: "Any country that doesn't meet its commitment with the [International Monetary] Fund... is declared in arrears and they have no access to IMF funding."

In a statement, the head of the International Monetary Fund, Christine Lagarde, acknowledged that no agreement was imminent; she said, "It is very unlikely that we'll reach a comprehensive solution in the coming days." Despite some encouraging expositions of rhetoric from various parties following a series of meetings, Lagarde archly noted, "We've been sobered again in the last week." Lagarde also admitted that a Greek exit from the euro ***zone*** was a real possibility as she said "It's a complicated issue and it's one that I hope the Europeans will not have to face because hopefully they will find a path to agree with the future of Greece within the eurozone."

Lagarde foreclosed any kind of preferential agreement for Greece, fueling speculation that the ***European*** Union's euro ***zone*** and the International Monetary Fund intended to showcase Athens as a cautionary example for other euro ***zone*** countries on the brink and vulnerable to populist notions of opposing austerity measures, economic reforms, and programs of structural readjustment.

Reminding all countries that have sought assistance that loans and rescue packages comes with obligations, Lagarde declared: "We have rules. We have principles. There will be no half-baked program review."

Just ahead of the June 5, 2015, deadline when Greece was due to dispatch its first repayment to the International Monetary Fund, Greek Prime Minister Tsipras angrily rejected what he cast as the "absurd" terms of proposed aid from the ***European*** bloc. During a speech to the Greek parliament, he said, "The Greek government cannot consent to absurd proposals. I want to believe that this proposal was a bad moment for Europe or at the very least a bad negotiating trick and will soon be withdrawn by the masterminds themselves." The Greek finance minister had an even more vituperative response to the terms proposed by ***European*** bloc creditors. In an interview with a Greek newspaper, Finance Minister Varoufakis characterized the reform proposal plan as "an aggressive move designed to terrorize the Greek government" and declared that "this Greek government cannot be terrorized."

Soon thereafter, Prime Minister Tsipras' government in Athens informed the International Monetary Fund that it would delay the 300 million euros due at that time. Instead, Greece would bundle all four of its June repayments to the International Monetary Fund -- totaling 1.5 billion euros in all -- and dispatch the funds on June 30, 2015. Of course, there was no actual understanding of where Greece would procure this money since on the very same day -- June 30, 2015 -- the rescue deal with the International Monetary Fund and the ***European*** Union was set to expire.

As discussed here, there was no viable deal on the table to provide additional bailout funds.

As unorthodox as the delaying+bundling tactic might have been, and as unpalatable a prolonged impasse might be, there was, in fact, a precedent dating back to the 1970s. That precedent made it possible for governments to bundle together multiple principal payments due in a calendar month and thus simplfy the process of making multiple payments in a short period. Indeed, in the mid-1980s, the African country of Zambia used the bundling option to repay the International Monetary Fund. Still, the prevailing problem remained at hand for Greece: Even if the schedule of repayment was adjusted, was it even possible for Greece to cobble together the necessary funds?

The negotiations aimed at staving off default continued to be characterized by conflicting reports of progress. Greek Prime Minister Tsipras insisted that an agreement with his country's international creditors was "in sight," while the finance ministers of the Euro ***Zone*** made clear that concurrence was a significant distance away. Indeed, Greece remained unprepared to assent to its international creditors' demands for a reform plan including want pension cuts, reforms to the value added tax (VAT), labor reforms, increased private sector investment, and structural changes to the civil service.

In fact, Greece had its own long list of demands that include highly generous debt relief and threats to re-impose collective bargaining rights for Greek workers.

Suddenly, snap elections were being considered as a possible option as the Greek government might need to gain the public's approval of the difficult path forward. To this end, Greece's Deputy Social Security Minister Dimitris Stratoulis was quoted as declaring: "The lenders want to impose hard measures. If they do not back down from this package of blackmail, the government ... will have to seek alternative solutions, elections." Stratoulis also indicated that the postponement and bundling of the repayment to the International Monetary Fund was a negotiating tactic as he declared, "The government's move is a message that it wants to wait and see how far they (lenders) will take it, if they will back off from this unreasonable, inhumane, colonialist package they are proposing." If Stratoulis was correct, then the response of Greece's international creditors would certainly be instructive.

With the June 30, 2015, deadline looming ahead for both the repayment bundle due to the International Monetary Fund, as well as the presentation of a comprehensive economic reform plan, German Chancellor Angela Merkel expressed cautious hopes that Greece would remain in the euro ***zone***, while warning that Athens would have to seriously address the concerns of its creditors. She said, "We want Greece to stay in the euro but in order to achieve that, Greece has to make the necessary efforts, and these are the subject of our ongoing discussions, and I want to see them come to a positive result."

Germany's vice-chancellor Sigmar Gabriel offered a more harsh assessment as he noted that other countries in Europe were losing patience with Greece. In an article in the German Bild magazine, Gabriel said that while Germany ideally would prefer to see Greece remain in the Euro ***zone***, "not only is time running out, but so too is patience across Europe." In something of a warning to Greece, he added, "Everywhere in Europe, the sentiment is growing that enough is enough."

As before, Greece appeared unprepared to heed that warning and instead lashed out at its creditors -- presumably in an effort to redirect the blame for its own economic woes. In fact, Greek Prime Minister Tsipras accused creditors of issuing unreasonable demands as he said, "One can only see a political purposefulness in the insistence of creditors on new cuts in pensions after five years of looting under the bailouts." He continued by suggesting that Greece would wait until the rest of Europe ***zone*** acquiesced to his country's demands for funds. To this end, Tspiras said, "We will await patiently until the institutions accede to realism. We do not have the right to bury ***European*** democracy at the place where it was born."

By mid-June 2015, the ***European*** Commission had dismissed Greece's proposal to address its debt and repayment woes, saying sharply that the Greek government failed to produce any new and serious plan that would secure the funding needed to repay the International Monetary Fund by the June 30, 2015, deadline. As talks with the Euro ***zone*** and the International Monetary Fund hit this fresh impasse, speculation about either snap elections or painful compromises began to surface, along with continued rumination over a Greek exit from the Euro ***zone***. However, Greek Finance Minister Yanis Varoufakis foreclosed the possibility of a "Grexit," asserting that it would not be a sensible solution to the Greek debt crisis. Instead, he was demanding an "extension" of the existing bailout terms as as a generous debt forgiveness package. Of note was the fact that Greece's creditors have long said these options were not on the table.

In the third week of June 2015, Greek said it would default on the 1.6 billion euro debt repayment to the International Monetary Fund due on June 30, 2015, unless it garnered fresh rescue funds from its creditors.

But if Greece thought its warning of a possible default would work to its benefit, it was quickly reminded that the pressure was actually on Greece and not its creditor institutions. To that end, the head of the

International Money Fund, Christine Lagarde, reminded Greece that there would be "no period of grace" related to the debt repayment deadline.

With the possibility of default looming, a meeting was convened between envoys from the Greek government and ***European*** finance ministers but ended in failure with no progress made on a plausible path forward. German media sources indicated that Greece wanted to present its existing reform proposal, which creditors had already said was a "non-starter."

Jeroen Dijsselbloem, the chairman of the Euro group, explained the situation, saying, "Regrettably ... too little progress has been made. No agreement is in sight." Accordingly, he indicated that it would be incumbent on Greece to advance a new set of proposals.

The urgency of the situation was laid bare in an address by German Chancellor Merkel to the German parliament in which she said her country would do its part to retain Greece as part of the Euro ***Zone***, but that Greece would have to do its part and make good on its reform obligations.

To this end, she said, "There was an agreement -- the Greek government pledged to carry out structural reforms, and that must be done."

Another emergency meeting was scheduled to be held on June 22, 2015, in an effort to reach an agreement and avert a Greek default. The scene was now at a new level of urgency due to a spate of bank withdrawals (generally referred to as a "run on the banks") in conjunction with lowered government revenues. If those withdrawals continued, Greece would be forced to implement capital controls to prevent the flight of cash from the country. Of course, those very conditions were placing pressure on the Greek government to be more agreeable in these latest negotiations.

To that end, as of June 22, 2015, the government of Greece had advanced a new proposal for reform, which included fresh taxes on businesses and the wealthy, and an increase in the value added tax (VAT) rate in some arenas. But as before, the Syriza-led government insisted that there would be no curbs on pensions or public-sector wages, and maintained that there would be no VAT on electricity and medicine. These issues continued to be sticking points in the negotiations. Nevertheless, the new proposal for reform was being welcomed by Greece's creditors as a step in the right direction.

Indeed, ***European*** Council President Donald Tusk said the new Greek plan constituted the "first real proposals in many weeks."

It was thus still possible that a reform deal with Greece's creditors could be forged at the last minute, thus averting default and preserving Greece's place in the Euro ***Zone***. Another option might be an interim agreement that would smooth over the differences, delay default, and keep Greece within the Euro ***Zone*** for the immediate future, with a hazier longer term horizon ahead. But the fact of the matter was that there was also a third possibility -- Greece was at serious risk of default and a "Grexit" from the Euro ***zone***. What had been unfathomable and unpalatable several years prior was now becoming a real possibility as the clock ticked ever so close to the June 30, 2015, deadline.

Greece rejects rescue proposal and ensures default; Greeks go to polls to vote in referendum --

On June 26, 2015 -- just days ahead of the June 30 deadline, the ***European*** Commission advanced a rescue proposal to Greece, with an eye on averting a default and preserving Greece's participation in the euro ***zone***. The 10-point plan was released by the ***European*** Commission

President Jean-Claude Juncker in the interests of transparency, and was endorsed by both the

European Central Bank and the International Monetary Fund. Included in the plan were reforms to the sales tax regime, such as adjustments to the value added tax (VAT) and an increased corporate tax rate, significant labor reforms, and fundamental changes to the pension system, which was described as "unsustainable."

To this particular end, early retirement would become a thing of the past. The proposal would require Greece to commit to these measures in order to secure further releases of aid funding -- an amount totaling 15.5 billion euros, 1.8 billion euros of which would be made immediately available.

German Chancellor Angela Merkel urged Greece to accept the "extraordinarily generous offer," which would rescue that country from certain default.

Greece's Prime Minister Tsipras, however, made a difference assessment, unilaterally rejecting the deal and withdrawing from the negotiations process. In a nationally televised address, Prime Minister Tspiras described the plan as "an insulting ultimatum," imbued by

"humiliation," and one that would bedevil Greece with "unbearable" austerity measures. He said, "I call on you to decide -- with sovereignty and dignity as Greek history demands -- whether we should accept the extortionate ultimatum that calls for strict and humiliating austerity without end, and without the prospect of ever standing on our own two feet, socially and financially." He added, "The people must decide free of any blackmail."

The Greek leader then announced a referendum, arguing that the public's ratification would be needed to accept the proposal. However, he made it clear that the exercise of ratification was just a performance of sorts since (1) he had already rejected the deal, and (2) he was actually urging Greek citizens to deliver a resounding "no" vote.

The Greek parliament quickly supported Tspiras' stance by overwhelmingly voting to approve the referendum and a date of July 5, 2015, was scheduled for the vote.

At the heart of Tspiras' maneuver was his expressed suggestion that a "no" vote would bolster Greece's negotiating position, presumably forcing creditor institutions to acquiesce to some of his demands, such as debt forgiveness and leaving the pension system untouched. It appeared that Tsipras believed that by displaying a defiant stance, Greece would gain further time, power, and leverage to pressure creditor institutions to not only extend rescue funding, but also assent to a more favorable deal.

Throughout, Greece has been convinced that its creditors in Europe would do whatever necessary to prevent a default, due to fears of a contagion spreading across vulnerable southern ***European*** countries.

However, such anxieties have decreased in recent times. The landscape in 2015 was not the same as 2011; now, with the ***European*** Central Bank (ECB) establishing stopgaps measures and emergency funds, the Euro ***zone*** was far better positioned to confront a default and even a "Grexit." As well, for some ***European*** players, a default by Greece -- as difficult as it might be -- would function as a cautionary tale for other southern ***European*** countries also confronting debt-to-GDP crises. Furthermore, there were some voices suggesting that a Euro ***zone*** without its weak link -- Greece -- might mean a stronger currency value for the euro.

Given this background, Greece's creditors quickly made it clear that they would not be manipulated by Greece's "pretend and extend" scheme. In fact, they criticized Prime Minister Tspiras' referendum announcement, and warned that there would be no extension to the bailout program past the June 30, 2015, deadline when Greece was due to repay the IMF. Christine Lagarde, the head of the IMF, explained the scenario in an interview with BBC news. Lagarde said that because the prevailing bailout program would expire on June 30, 2015, a referendum five days later would be an irrelevant exercise since any existing proposals and arrangements would no longer be valid. Without settling that IMF obligation, Greece would face default, and an exit from the euro bloc and other catastrophic economic consequences could be in the offing.

The head of the Euro group, Jeroen Dijsselbloem, essentially washed his hands of the situation, indicating that it would be up to the ***European*** Central Bank (ECB) to decide whether or not it would provide emergency liquidity funding to Greece's banking and financial system. But such a move -- should it come -- would be subject to criticism from other ***European*** countries. Of note was the call by some German politicians for the ECB to stop bailing out Greece's economy with emergency support, which could be a violation of the body's own central banking regulations.

Finally, on June 28, 2015, ECB President Mario Draghi convened an emergency meeting, which concluded with the decision to freeze the level of emergency aid available to Greek banks.

The news that negotiations had ended in failure triggered some panic from among the Greek citizenry, with long lines reported at banks as people tried to withdraw as much money as possible ahead of anticipated restrictions. Lines were also long at petrol (gas) stations and at grocery stores as Greeks stocked up on fuel and food supplies. In response to the rising tide of anxiety and to prevent a continued "run of the banks," it was soon announced that Greece's beleaguered financial institutions would be closed from June 29, 2015. Meanwhile, the Greek authorities moved to implement capital controls making Greece the second ***European*** country since Cyprus to follow this path. Aiming to minimize the sense of panic, Prime Minister Tsipras urged calm, saying in a national address: "The more calmly we deal with difficulties, the sooner we can overcome them and the milder their consequences will be." The prime minister's political cachet meanwhile did not seem to be hurt with Greeks placing the blame on the ***European*** creditors and not Tspiras for Greece's plight.

Nevertheless, Tspiras found himself to be the subject of a scathing editorial by the Financial Times on June 28, 2015. In that editorial, the Financial Times accused the Greek leader of misleading the Greek people about just what was at stake in the referendum set for July 5, 2015. A key point made by the Financial Times was as follows: "His [Tspiras'] tactic has already come unstuck because the eurozone has refused to consider extending their bailout offer to the date of the poll. By Sunday, when the referendum votes are due to be cast, there may be no deal on the table to discuss." The Financial Times also accused the Greek leader of being deceptive about the goal of the referendum; the newspaper argued that a "resounding no vote" called for by Tsipras would not be a rejection of the rescue proposal by the ***European*** Commission but, instead, "a vote for the euro or the drachma — no more, no less." The Financial Times' conclusion was that while Prime Minister Tspiras had presented the July 5, 2015, as a referendum on the rescue plan, with a fresh (and better) deal to come as a result, in actuality, the referendum was about the so-called "Grexit."

Meanwhile, ***European*** finance ministers declined to extend the existing bailout for Greece, with Dutch Finance Minster and the president of the Euro group, Jeroen Dijsselbloem, saying that "it would be crazy to extend the program." An extension would have permitted Greece to meet its obligation; without it, Greece would not have the requisite funds at its disposal. As a result, Greece officially defaulted on its scheduled repayment to the International Monetary Fund on June 30, 2015.

Now, attention was on the July 5, 2015, date when the Greek citizenry was scheduled to vote in a referendum on the very rescue package that the Greek prime minister had already rejected.

Ahead of the vote, Prime Minister Tsipras showed interest in restarting the negotiations process with creditor institutions by dispatching a letter to ***European*** leaders. In that missive, he suggested that his government was prepared to accept most -- but not all -- of the terms of the now-expired rescue package. This perplexing move was met with disinterest in Europe where leaders were clearly wary of dealing with Tsipras and the radical Syriza government. Speaking to the German parliament in Berlin, Chancellor Merkel said, "We will wait for the referendum. There can be no negotiations on a new aid program before the referendum." Dijsselbloem, the head of the Euro group, issued a similar response, noting that new rescue package terms could only be discussed "after and on the basis of the outcome of" the referendum.

Rather than tempering the Greek stance ahead of the vote and certainly ahead of a fresh slate of negotiations, Greek Finance Minister Yanis Varoufakis lashed out at his country's creditors, accusing them of blackmail. In an interview with the media, Varoufakis: "This is a very dark moment for Europe. They have closed our banks for the sole purpose of blackmailing what? Getting a "yes" vote on a non-sustainable solution that would be bad for Europe."

This tone held resonance among many Greeks who were now blaming creditor institutions for capital controls at banks and other hardships, which were sure to get worse should the "no" vote prevail.

Long lines of pensioners at banks, limits on cash withdawals, stalled commercial activity, and a sense of confusion began to permeate the Greek landscape, even as ratings agencies downgraded Greek banks to almost junk status. Still, the political power of resistance and rhetoric was strong as angry Greeks took to the streets in mass protests to blame Europe for its financial woes and to call for a strong rejection of the rescue package.

On the other side of the equation, ***European*** leaders were wasting no opportunity to remind the Greek people that despite Prime Minister Tspiras' claims that a strong "no" vote would bolster the country's bargaining power, it was actually a vote against participation in the Euro ***zone***. They were essentially redefining the referendum terms so it was instead a ratification or a rejection of the Euro ***zone*** -- and a choice between keeping the Euro and returning to the Drachma. Not surprisingly, that message also held resonance, and counter-demonstrations sprouted in the streets of Greece, with people calling for ratification of the bailout terms, and thus a "yes" vote.

In truth, creditor institutions were likely making the calculation that either a "no" or a "yes" vote would lead to a better outcome. Despite the gamble of the radical Syriza government, a "no" vote would augur an exit of Greece from the Euro ***zone***, and while that end would be painful and difficult, it might also be therapeutic. Much as the removal of a malignant tumor could help in the body's recover from cancerous toxins, so too might excising problematic Greece prove to be helpful; indeed, it might very well heal the debt-to-GDP woes infecting the regional body.

On the other hand, a "yes" vote could potentially be viewed as a vote of non-confidence in Prime Minister Tspiras' government, and could lead to its downfall. ***European*** leaders, then, would then have the opportunity to negotiate with another slate of players -- most of whom were guaranteed to be less intransigent than Syriza. As such, there was no reason for creditor institutions to do anything at this point but wait for the referendum to play out.

For his part, the Greek leadership was in no mood to back down. Prime Minister Tspiras instead delivered a vociferous rallying call for Greeks to vote on the side of democracy and reject the bailout proposal as he declared:

"Turn your backs on those who terrorize you daily." He continued, "On Sunday, we are not just deciding that we are staying in Europe, but that we are deciding to live with dignity in Europe." Prime Minister Tspiras was not the only member of the Syriza government willing to deploy heavily loaded rhetoric. Greek Finance Minister Varoufakis also accused his country's creditors of terrorism. In an interview with the media, he posedthe following question: "Why did they force us to close the banks? To instil fear in people. And spreading fear is called terrorism."

It should be noted that polling data on the eve of the referendum suggested a close vote. While support for the pro-Tsipras/Syriza "no" vote was initially stronger, congnizance of the consequences of such a path was beginning to circulate through the Greek citizenry. As such, the "yes" vote was gaining steam and by July 3, 2015, some polling outfits were showing a slight lead for the "yes" contingent. While there remained a significant undecided faction, with Greeks overwhelmingly favoring continued participation in the Euro ***zone***, the advantage was certainly not with the Syriza government of Prime Minister Tspiras.

Meanwhile, in Germany, frustration over being Greece's financial scapegoat was reaching new heights. Already, Germans were growing increasingly outraged over the prospect of working longer to fund a bailout package that might preserve early retirement for Greek pensioners. But that outrage reached new heights as Greeks demonized Germany for the harsh austerity terms attached to the proposed rescue package. Now, Germans were starting to warm to the notion of a Greek exit from the Euro ***zone***, while the German newspaper, Bild, suggested that Germany should hold a referendum of its own, in which continued financial funding of Greece would have to be ratified. The hypothetical referendum would ask the question: "Should we support Greece with more billions -- yes or no?" For now, however, the focus would remain on Greece's referendum on July 5, 2015, with its future in the Euro ***zone*** at stake.

On July 5, 2015, Greeks went to the polls to cast their votes in a referendum intended to either ratify the rescue package or to reject it.

As suggested here, the vote was widely regarded as a vote on the future of Greece in the Euro ***zone***. After the votes were counted -- and despite pre-referendum polling data indicating a close result -- it was clear that the people of Greece had decisively voted "no" vote and rejected the rescue package by ***European*** creditors. With almost all the ballots counted, 61 percent of Greeks voted "no" while 39 percent voted "yes."

Greeks, it seemed, had accepted the argument by Prime Minister Tsipras that a strong "no" vote would improve Greece's leverage and bargaining power, and thus position the Syriza government to negotiate a better deal. Of course "better" by Greek standards was not necessarily better in the minds of Greece's creditor institutions. For Greece's creditor institutions, and certainly for finance ministers across Europe, the "no" vote signaled an exit from the Euro ***zone***.

For his part, Prime Minister Tspiras declared victory and declared in a national address that his fellow Greeks had voted for a "Europe of solidarity and democracy." He signaled a return to negotiations with a strengthened hand as he said, "As of tomorrow, Greece will go back to the negotiating table and our primary priority is to reinstate the financial stability of the country."

But Greece's creditors were not necessarily in the mood for that return to negotiations in short order.

Certainly, it was hard to envision Greek Finance Minister Varoufakis sitting across the table from other ***European*** leaders days after he labeled the Euro ***zone*** strategy as "terrorism" for productive talks.

Jeroen Dijsselbloem, the head of the Euro group, signaled disapproval -- and a tacit warning -- over the referendum result, which he characterized as "very regrettable for the future of Greece."

German Deputy Chancellor, Sigmar Gabriel, poured metaphoric cold water on the Greek government's plans for fresh deal-making, noting that negotiations with Greece were now "difficult to imagine." The German deputy leader also excoriated Greek Prime Minister Tsipras and the Syriza government for leading the Greek people along "a path of bitter abandonment and hopelessness."

The night of July 5, 2015, in Greece was marked by a mix of jubilation and defiance. But even as the Syriza government of Greece and its supporters celebrated their referendum triumph, the reality was that there were serious and pressing financial challenges to be addressed. Of significance was the fact that the Greek banking and financial system was in dire need of an infusion of emergency funds -- and it was not clear that those funds would be available from the ***European*** Central Bank.

Greece's banks have for some time been insolvent and reliant on the ***European*** Central Bank's emergency liquidity assistance program, but it was to be seen if on July 6, 2015, the ***European*** Central Bank would provide enough liquidity to rescue the Greek banking system from collapse, or, if it would simply hold emergency funding at the existing restricted level. Should Greece seek funding from an external entity outside the domain of the ***European*** Central Bank, Greece would be delivering the message that it was exiting the Euro ***zone***.

Another option would be the creation of a parallel currency at an unknown conversation rate, which would be used to get the banking sector and economy moving again, and to pay salaries and pensions.

But that path would ultimately come with extraordinarily high cost of living perils -- quite likely in the form of expensive and even unaffordable imported food, medicine, oil products, and other such vital items.

In the hours following the overwhelming "no" vote, it was clear that Greece was effectively wading into uncharted territory. A meeting of the ***European*** Commision was scheduled to take place on July 6, 2015, to consider immediate actions.

Post-Referendum Developments --

In the immediate aftermath of the referendum, Greece was eager to return to the negotiating table with a strengthened hand.

To that end, the Greek government insisted that it was ready to talk to creditor institutions the day after the referendum.

But Germany was in no mood to be responsive. Indeed, Greece made it clear that there was no basis for moving forward with talks in the immediate future, and instead indicated that it would be up to Greece to advance a new proposal. German Chancellor Angela Mekel said, "It will be important tomorrow that the Greek prime minister tells us how things should proceed and what precise suggestions he can submit to us for a medium-term program that will lead Greece to prosperity and growth again."

Jeroen Dijsselbloem, the head of the Euro group of finance ministers, warned that any proposal from Greece would have to include serious reforms as he said, "For recovery of the Greek economy, difficult measures and reforms are inevitable. We will now wait for the initiatives of the Greek authorities." French President Fracois Hollande issued a similar message, as follows: "It is now up to the government of Alexis Tsipras to make serious, credible proposals so that this willingness to stay in the eurozone can translate into a lasting program." That message even emanated from the Spanish Prime Minister Mariano Rajoy, whose own country was suffering from a debt crisis, as he said that assistance for Greece "has to be accompanied by responsibility." Dutch Prime Minister Mark Rutte issued the sharpest warning, as he declared that Greece would have to implement "deep reforms" if it wanted to remain in the Euro ***zone***.

Meanwhile, German Chancellor Merkel was set to meet with French President Hollande to discuss the Greek conundrum on July 6, 2015, with meetings between Euro ***zone*** finance leaders the day after, and a full summit of all Euro ***zone*** leaders later in the same week.

For the German government, there was a political consideration to be made as Germans grew increasingly frustrated by Greek leaders who had demanded rescue funds while insulting Germany. For the German citizenry, the message was clear: Europe was not just about Greece.

Perhaps congnizant of the previous poisonous negotiating climate, Greece moved to make some changes in government. Significantly, the controversial Finance Minister Varoufakis resigned and was replaced by Euclid Tsakalotos, a British-educated

professor of economics. While this change would likely be welcomed by negotiators who found Varoufakis difficult and, at times, bombastic, it should yet be regarded as a change in style and not substance. Tsakalotos was restrained in manner and thus a contrast to the flamboyant motorcyclist, Varoufakis, on the issues; however, there was little daylight between the two men. In fact, Tsakalotos has been regarded as the intellectual "grandfather" of Syriza's radical lefitst policies, which embrace inclusion in the ***European*** body while eshewing capitalism.

Meanwhile, despite claims from the Greek Syriza government that banks would open after the referendum, in fact, banks in Greece remained closed in the days after, and capital controls remained in place. With Greek banks running out of money, the ***European*** Central Bank (ECB) announced that it would maintain emergency support at existing levels; however, with more collateral needed to secure that emergency lending, the actual amount of money available to the banks remained quite limited.

For its part, the government of Greece was yet to advance a formal slate of proposals as the first week of July 2015 came to a close, and just ahead of the ***European*** ***zone*** summit in Brussels (Belgium). In the hours prior to that summit, Greek Prime Minister Tsipras met German Chancellor Merkel and French President Hollande, but after that meeting, there was no change in the negotiating landscape despite the urgency for Greece to strike a deal. As noted by Merkel, "We still do not have the basis for negotiations... it is not a question of weeks anymore, but a question of a few days."

Note: On July 7, 2015, the Euro ***zone*** issued a deadline for Greece to present fresh proposals needed to secure a rescue deal with creditor institutions. The Euro ***zone*** also announced that a full ***European*** Union summit including all 28 member states would be held on July 12, 2015.

"Grexit" avoided with new deal; new agreement filled with harsh austerity measures and major compromises for Greece --

Ahead of the July 11, 2015, meeting of Euro ***zone*** finance minister and the July 12, 2015, summit of the ***European*** Union, Greece put forth a new proposal aimed at garnering rescue funds and averting a "Grexit." That new proposal essentially sought 53.5 billion euro (just over US$50 billion) in loans as part of a three-year bailout package. Additional rescue funds brought the total package to least 74 billion euros in value (US$83 billion). In return, Greece would move forward with reforms, including spending cuts, sales tax increases, unified VAT rates, privatization measures, and controversial changes to Greece's ultra-generous pension program, which has been considered "off the table" for the Greek government until this time.

In many senses, the Greek proposal was not particularly different from the package Greece's creditors offered in June 2015, which Prime Minister Tspiras rejected and responded to by calling a referendum, as discussed above. The main difference was that this new blueprint called for increased rescue loans as well as debt relief for Greece.

As such, Greece was insisting that its new proposal could not be understood as capitulation to creditor institutions. For his part, Greek Prime MInister -- for now -- was sounding the right tone. He said, "I am ready for an honest compromise. We owe it to the people of Europe that want a united, not divided, Europe. We can reach an agreement tonight if the parties involved want it."

It was to be determined whether or not Greek Prime Minister Tspiras could garner parliamentary support at home to move forward with negotiating the agreement. It was also to be seen if Greece's creditor institutions would be amenable to this proposal, especially as regards debt forgiveness.

The answer to the first question came on July 10, 2015, when a majority of the members of the Greek parliament voted in support of the deal. Prime Minister Tspiras actually lost the support of several members of his own Syriza party, who refused to back the plan, denouncing it as further austerity. Prime Minister Tspiras nonetheless gained a majority parliamentary mandate in support of the proposal.

The answer to the second question was yet to be determined with many ***European*** governments at odds on the issue of how to deal with Greece. France and Italy appeared committed to doing what was necessary to keep Greece in the Euro ***zone***. Italian Prime Minister Matteo Rienzi said, "Now that Tsipras has made proposals substantially in line with the ***European*** requests, an agreement absolutely has to be reached." He added, "You can't humiliate a ***European*** partner." But the hardline wing, led by Germany, had a different view. In fact, Germany was not keen to extend debt relief to Greece. As plainly stated by German Finance Minister Wolfgang Schaeuble: "Debt relief is impossible."

Debt relief was not the only area of contention. Some countries appeared ready to accept a "Grexit" if only on a temporary basis. To this end, there were reports from Germany suggesting that the government of that country wanted to see Greece suspended from the Euro ***zone*** for a period of five years.

While the five year "time out" was not expressly addressed by German Chancellor Merkel, she did make clear that her country was not prepared to accept "any price" to ensure that an agreement was made. Meanwhile, still other countries were hostile to the idea of negotiating with Greece. One example was Finland, which was reported to be completely opposed to the notion of a bailout for Greece. Another example was Slovakia, with Prime Minister Robert Fico advocating that Greece leave the Euro bloc. He said, "The Greeks would do best if they left the euro ***zone*** on their own, did their homework and then tried to come back. This is just torture for everybody."

The usual issues aside, there was an additional consideration -- the continuing deterioration of the Greek economy. Greece's decision to walk away from an almost identical deal in June 2015 resulted in default, the closure of banks, capital controls, and the stalling of commercial activity. The result has been the exacerbation of an already-dire economic crisis. As noted by Edward Scicluna, the finance minister of Malta, "We were told that Greek debt was at 125 percent but we are now being told that this debt has spiraled to 200 percent and that is alarming, raising even more questions about its sustainability and a solution."

There was also widespread concern and skepticism over Greece's commitment to moving forward with required reforms, with some finance ministers suggesting that the real problem was the "trust deficit" which had only widened since Greece walked away from the negotiating table in late June 2015. To this end, Finnish Finance Minister Alexander Stubb said, "We need to have clear commitments, clear conditionality, and clear proof that those conditions will be implemented at the end of the day." He added, "The conditionality presented by the Greeks is simply not enough."

Regardless, the discussions prevailed with all parties trying to find common ground. As noted by

Jeroen Dijsselbloem, the head of the Euro group, "It's still very difficult, but work is still in progress. The issue of credibility and trust was discussed and also, of course, the financial issues."

In what could be regarded as a positive development, the full summit of all 28 ***European*** Union member states set for July 12, 2015 was cancelled. Since sanction by all 28 member states would be needed to force a "Grexit," the decision to continue negotiations among Euro ***zone*** leaders only was being seen as a reprieve of sorts for Greece.

Still, all parties remained quite distant in their positions and an actual deal remained elusive on July 12, 2015. Time was running out and Greece was increasingly desperate for an infusion of cash.

In addition to austerity measures, which were expected to be included in any new deal, there were other areas of consideration. Some of these demands were as follows: the Greek parliament would also have to pass legislation aimed at ameliorating the bankruptcy code, protecting the autonomy of the statistics office, and automating spending cuts if the budget did not hit its intended targets. It was to be seen if these elements would make it into a final deal.

Making matters more difficult was the fact that hardliners had been issuing additional demands. Of note was the call for veto power for creditor institutions over relevant legislation, the transfer of approximately 50 billion euros (US$56 billion) of state assets to an independent company for sale, and the firing of workers hired in violation of previous bailout commitments. For the hardliners, only with these provisions could there by a foundation for a fresh bailout; however, it was unclear if these particular -- and controversial -- provisions would make it into a final deal.

Finally, on July 13, 2015, following marathon talks in Belgium, Euro ***zone*** leaders agreed to provide Greece with a new bailout package to rescue that country from economic crisis.

As stated by ***European*** Commission President Jean-Claude Juncker: "The agreement was laborious, but it has been concluded. There is no Grexit."

The new agreement mandated that the Greek government legislatively authorize and then institute a collection of strict austerity measures by July 15, 2015. These measures included - but were not limited to - increased taxation, ameliorating the value added tax system, ameliorating the sustanability of the pension system, protecting the legal independence of government fiscal data, and creating a mechanism to automatically reduce spending if budget targets are missed. In the long-term, Greece would have to substantially address pension reforms, ***enact*** market reforms and labor reforms including the modernization of collective bargaining rights, and privatize the electrical power network. A particularly controversial measure that made it into the deal was a demand that all draft legislation related to Greece's economic health be reviewed by Greece's creditor institutions in what could only be understood as external oversight.

Of significance was the fact that the Greek deal was contigent upon the activation of all these measures. A tranche of rescue funds would only be released if Greece passed the required legislation -- and the schedule for that release of funds would be aggressive since Greece was set to make a payment to the ***European*** Central Bank on

July 20, 2015. Without a doubt, this long list of measures, and in particular, the hardline demands related to external oversight that made it into the final agreement, were likely to be regarded as an affront to Greek sovereignty by nationalists. It was abundantly clear that creditor institutions were intent on delivering the message that they now held the power.

For his part, Greek Prime MInister Tsipras suggested that the agreement foreclosed the possibility of an exit from the Euro ***zone***, saying that "the possibility of Grexit is in the past." Tsipras admittted that the deal was not optimal but nonetheless excluded a controversial proposal to transfer of approximately 50 billion euros ($56 billion) of state assets to an independent fund. However, that amount would be managed and used to recapitalized Greek banks.

To this end, Tsipras latched on to the fact that the fund would not be housed in Luxembourg as originally envisioned, as he said, "The deal is difficult but we averted the pursuit to move state assets abroad." He added, "We averted the plan for a financial strangulation and for the collapse of the banking system." Tspiras also acknowledged that the negotiations constituted a "tough battle," but his country had secured a "growth package."

In fact, the ***European*** bloc would offer Greece 86 billion euros in financing over a period of three years -- an amount exceeding the total called for in the Greek proposal. But the rescue funds would be contingent upon the long list of tough austerity measures, including pension program reforms and increased taxation, discussed above. As well, although Greece had sought debt relief, this agreement would consider -- but not guarantee -- the rescheduling of debt payments, while stopping short of actual debt forgiveness or reduction.

Greeks at home soon railed in outrage against these harsh conditions, with some characterizing the proposed measures as "punitive," and others casting them as the "humiliation" of Greece. People took to the social media outlet, Twitter, to express their anger using the hashtag "#thisisacoup."

But Germany's leader reminded the world that Greece's standing was deeply tarnished not only by its poor economic stewardship, but also its irresponsible negotiating stances ranging from insults to inconsistency. As noted by Chancellor Merkel, "The situation is extremely difficult if you consider the economic situation in Greece and the worsening in the last few months, but what has been lost also in terms of trust and reliability." Meanwhile, Irish Prime Minister Edna Kenny reminded Greece of the urgency of the situation as he declared, "I'd like to see them [the Greeks] demonstrating starting tomorrow in their parliament they're serious about implementing the changes, legislative and structural, that need to be put in place. Every day that this goes on, the eventual solutions are more costly."

Greek policymakers themselves were cognizant of those costs. Daniel Munevar, an adviser to former Greek Finance Minister Varoufakis, said, "The costs for Greece of staying in the euro are reaching a point where the balance could favor Grexit." He added, "The costs being demanded of Greece are so punitive that they are almost impossible to meet." Nevertheless, Greece signed onto the deal with an eye on averting economic crisis and a forced exit from the Euro ***zone***.

While Greece could be sigh with proverbial relief over this economic lifeline, the fact of the matter was that the country would have to chart a difficult path forward -- and one that was likely to be unpopular with the Greece citizenry.

Prime Minister Tspiras would have difficult task of selling the terms of the agreement to the rest of the Greek government as well as the Greek citizenry as something other than surrender.

Nevertheless, by mid-July 2015, the Greek parliament had approved the austerity measures imposed by Greece's creditor institutions despite the prime minister's own objections to the terms. As stated by Prime Minister Tsipras ahead of the vote in parliament, "I acknowledge the fiscal measures are harsh, that they won't benefit the Greek economy, but I'm forced to accept them." Apparently, the vast majority of Greek members of parlaiment agreed with him.

While this outcome could only be understood as a "win" for Prime Minister Tsipras, it should be noted that he lost the support of dozens of members of parliament from his own Syriza party, and was instead supported by several opposition parties including the the center-right New Democracy party, the centrist To Potami party and the center-left party, Pasok.

Among the Syriza defections were former Finance Minister Varoufakis, who condemned the bailout package, calling it as "a new Versailles Treaty," and also Energy Minister Panagiotis Lafazanis and Deputy Labor Minister Dimitris Stratoulis.

It should be noted that Prime Minister Tsipras soon ***enacted*** a cabinet shuffle, which included the sacking of all recalictrant members of his party serving in cabinet and replacing them with more pragmatic individuals. Among those retaining a portfolio was Greek Finance Minister Euclid Tsakalotos. There were also suggestions of early elections to be held later in 2015 -- presumably in response to the friction and divisions now emerging within Syriza.

Outside parliament, violent clashes broke out between police and protesters who were angered by the notion that Greece would have to assent to the harsh reform agenda outlined by creditors. As well, civil servants went on a 24-hour strike. With some demonstrators using petrol bombs to attack police, security forces responded with arrests and tear gas in an attempt to quell the unrest.

To that end, the scene in Athens calmed down although the national mood remained sour.

Meanwhile, people in other Euro ***zone*** countries were themselves skeptical of a continuing relationship with Greece. To this end,

there were ratification votes in the offing for the parliaments of several Euro ***zone*** member states. But at the end of the day, even the most hardline players such as Germany, Lithuania and Finland, ratified the move. As such, the stage was set for Greece to commence talks aimed at securing a new rescue package via the ***European*** Stability Mechanism.

As well, Europe re-opened the door to funds for Greece. While capital controls would have to be retained to prevent a so-called "run on the banks," the scene in Greece improved as the ***European*** Central Bank increased emergency funding via its

Emergency Liquidity Assistance (ELA) program for the banks. As well, ***European*** Union finance ministers approved bridging loans aimed at keeping Greece's finances afloat and thus able to make pending payments to the ECB and the IMF.

Political Ramifications of the Rescue Deal --

In August 2015, the domestic political landscape in Greece was fractious as Prime Minister Tspiras attempted to limit the fallout within his Syriza party rising from the unpopular debt deal with creditors. Tspiras assured his party that he would go no further than the reform measures expressly agreed to with the Euro ***zone***. As noted by

Tsipras, "I know well the framework of the deal we signed at the euro ***zone*** summit on July 12. We will implement these commitments, irrespective of whether we agree with it or not. Nothing beyond that."

Of course, for many Syriza members, those very measures were bad enough and a betrayal of the party's anti-austerity platform and core principles.

For the far-left flank, a bad deal was worse than no deal, and rather than surrender to the harsh terms dictated by creditors for Greece to remain in the Euro ***zone***, they preferred an exit from the bloc and a return to Greece's drachma currency. Of particular note was the vociferous denunciation of the bailout agreement by former Finance Minister Varoufakis, who has repeatedly accused Greece's creditors of violating Greece's sovereignty. In an interview with the German publication, Stern, Varoufakis said, "It was a financial war. Today you don't need tanks to beat someone. You've got your banks."

For his part, at a meeting of Syriza's central committee, Prime Minister Tsipras made clear that the deal that was forged in mid-July 2015 was the best possible and was taken in order to avert a national catastrophe. He said, "We are telling the Greek people, loud and clear and with no remorse, that this is the deal we managed to bring to them and if there is someone who thinks that they could have achieved a better deal, let them come out and say that."

With the far-left hardliners continuing to make clear their objections to the rescue deal, it was clear that a chasm was growing within Syriza and one that could well grow into an ideological civil war of sorts. With an eye on containing the dissention, the prime minister called for an emergency Syriza summit to debate a strategy for the party going forward. He also warned recalcitrant Syriza members of parliament that if he could no longer hold a parliamentary majority, he would be forced to call snap elections. That theoretical poll could yield unpredictable results.

Technical deal made as new deadline looms --

By mid- August 2015 a technical deal was arranged with the International Monetary Fund, the ***European*** Central Bank, and the ***European*** Stability Mechanism, which would secure for Greece 85 billion euro in funding, and thus enable that country to make its public payments now in arrears. Most crucially, it would permit Greece to make a payment of three billion euros to the ***European*** Central Bank on Aug. 20, 2015. In exchange, Greece would have to implement significant structural reforms to the Greek entitlement system, tax hikes, and spending cuts.

The proposed agreement would have to be debated and approved by the Greece parliament. With the Aug. 20, 2015, deadline in the offing when the ***European*** Central Bank payment would have to be made, Prime Minister Tsipras urged members of parliament to approve the technical agreement, stating in a letter: "The crucial nature of the situation requires the immediate convening of parliament to proceed with the deal's approval and allow the disbursement of the first installment."

But even with the vote on the deal with creditor institutions hanging in the balance, Prime Minister Tsipras's Syriza party was ensconced in an acrimonious power struggle between the hardline anti-austerity advocates and the pragmatists in the party not wanting to be responsible for taking the country into bankruptcy.

The dissonance was yielding consequences as Parliamentary Speaker Zoe Konstantopoulou -- a Syriza member hostile to the deal -- ignored Prime Minister Tsipras' call for an accelerated schedule to vote on the bill ahead of a meeting of euro ***zone*** finance ministers. Instead, Konstantopoulou appeared intent on belaboring the legislative process by advancing no shortage of procedural objections. Those objections, however, could not stop the vote from happening and ending favorable for the head of government.

Indeed, despite defections from within his own Syriza party, Prime Minister Tsipras won a political victory with support from the pro-Euro opposition parties. As such, the necessary legislation was passed to approve the deal.

For his part, Prime Minister Tspiras has steadfastly defended his decisions, including his resolution to compromise with creditor institutions. To this end, he said, "I do not regret my decision to compromise. We undertook the responsibility to stay alive over choosing suicide."

Political dissonance gives way to fresh elections --

While Greece had secured rescue funds in mid-2015, the terms of the deal were not acceptable to Syriza hardliners, who blasted Tspiras for accepting the conditions. As a result, a breakaway contingent of Syriza members of parliament was growing with former Energy Minister Panagiotis Lafazanis urging that a new radical movement be formed.

A statement by Lafazanis and several other Syriza members read as follows: "The fight against the new bailout starts today, by mobilizing people in every corner of the country."

While the statement did no expressly call for a party split, it nonetheless included the call for a "united movement that will justify people's desire for democracy and social justice."

The Syriza government interpreted the statement as a de facto declaration of independence and cast the move as the final step in Lafazanis' decision "to choose a different path from that of the government and Syriza."

For his part, Prime Minister Tspiras defended the deal, arguing that he had no choice but to go down this road since the Greek people made it clear that they wished to remain in the Euro ***zone*** -- a goal that could not be achieved in any other way. Acknowledging the rebellion present within his own Syriza party, Prime Minister Tsipras indicated that he would seek a confidence vote later in August 2015 when the scheduled debt repayment to the ***European*** Central Bank was made. But the confidence vote could augur the end of Tsipras' tenure at the helm of this particular government, as both the conservative opposition New Democracy party as well as the opposition Socialists (known by the acronym PASOK) respectively made clear that they would not back the head of government.

While opposition parties gave support to Tspiras to pass the bill needed to ratify the aforementioned deal for the sake of Greece, that goodwill did not extend to the political fortune of a rival.

By Aug. 20, 2015, with a rebellion brewing within the Syriza party, Prime Minister Tspiras by-passed the confidence motion and instead tendered his resignation, effectively paving the way for fresh elections. In a nationally-broadcast speech, he said, "The political mandate of the January 25 elections has exhausted its limits and now the Greek people have to have their say."

Meanwhile, the hard-left radical members of parliament from Syriza formed a breakaway group. That group soon established its own political party named Laiki Enotita (or Popular Unity in English) and was composed of 25 members of parliament.

In this way, it was to be understood as the third largest bloc in the Greek legislative body -- ahead of both the centrist To Potami and the far-right Golden Dawn, which hold 17 seat respectively. Popular Unity was led by former Energy Minister Panagiotis Lafazanis, who was conspicuously at odds with Tspiras over the terms of the rescue agreement and famously declared his desire to "smash the Euro ***zone*** dictatorship."

Since Tspiras' Syriza government had been in power less than a year, constitutional provisions required that the second-largest party in parliament be given the mandate to try to form a government. With the conservative New Democracy occupying the second most seats in parliament, they would likely be given that opportunity; however, it was not clear they would be able to actually cobble together a coalition. Ultimately, the mandate for forming a government could be returned to the Greek president, who would then call for snap elections to be held.

Assuming that an alternative government could not be forged, then Sept. 20, 2015, was the likely date expected for fresh elections to be held in Greece. That outcome loomed when both the conservative flank and the hard-left flank parties attempted to form new governments and failed. As such, with Prime Minister Tspiras having resigned, Vassiliki Thanou, an anti-austerity advocate and a Supreme Court judge, was named as the country's caretaker prime minister. Greece's first female prime minister would administer the country on an interim basis until elections could be held a month later in September 2015.

Rival parties were now refocusing their hopes, and looking at the elections as a new opportunity that would end with them taking the reins of power. But the outgoing prime minister's rivals would have to contend with the fact that Tspiras remained politically popular and could well win re-election, effectively giving him a fresh leadership mandate.

For now, however, Greece had at least secured funding for the immediate future. This agreement, in truth, was just a start to a difficult period of negotiations on how to deal with Greece's debt. That debt agenda, realistically, could not substantially be addressed without some degree of debt forgiveness -- but that was a bridge many of Greece's creditors were not yet ready to cross. Indeed, debt relief would not be entertained until October 2015 when Greece's creditor institutions -- the ***European*** Commission, the ***European*** Central Bank, and the International Monetary Fund -- would review the implementation of the Tsipras government's reforms.

Primer on second slate of 2015 parliamentary elections in Greece

Voters go to polls in Greece in second parliamentary elections in 2015; will PM Tspiras and anti-austerity party Syriza be re-elected or will Greeks opt for another path forward? Election results indicate decisive win for Tspiras and Syriza; coalition building to be the focus going forward: --

Summary of Greek Landscape

The spring of 2015 saw Greece under pressure as it suffered a "liquidity crunch" at a time when several bills and debt obligations were due to be paid. That liquidity crunch could be alleviated by the release of a tranche of rescue funds from Greece's international creditors; however, those creditors - including the finance officials of the Euro ***zone*** and the International Monetary Fund - were looking for a comprehensive structural reform plan from Greece to be submitted for approval. In that plan, Greece's creditors were looking for serious austerity measures intended to rein in its social welfare spending, such as reductions of civil service pensions. However, the Greek people have made clear that the radical Syriza government they elected to power at the start of 2015 had to keep its election promises, which included an end to austerity measures and the safeguarding of the social welfare state. Clearly, those demands were in diametric opposition to the imperatives of Greece's international creditors.

Faced with the impossibility of the situation, the Syriza government was considering a referendum, which if ratified, would give the government a mandate to move forward with a plan that could meet the demands of other ***European*** finance ministers. The referendum idea aside, another option for Greece would be to default on its payments, exit the Euro ***zone***, and re-adopt the Drachma as its currency. Such a path would likely be catastrophic for Greece; however, the Euro bloc was increasingly frustrated by Greece's failure to meet its reform demands and thus concomitantly accepting of the idea of a "Grexit" from the Euro ***zone***. What had been unfathomable and unpalatable several years prior was now becoming a real possibility on the Euro ***zone*** landscape as the clock ticked ever so close to the June 2015 deadline. That deadline would mark the time when Greece would have to advance its reform agenda in order to secure rescue funding.

As talks with the Euro ***zone*** and the International Monetary Fund hit an impasse in mid-June 2015, speculation about either snap elections or painful compromises began to surface, along with continued rumination over a Greek exit from the Euro ***zone***. Finally, on the eve of the highly anticipated June 30, 2015, deadline, Greece rejected a rescue proposal set forth by the ***European*** Commission intended to prevent a Greek default. Instead, Greek Prime Minister Tsipras said his country would hold a referendum to seek public ratification on the proposal although he urged fellow citizens to vote against it. His government's position was that a strong national "no" vote would add to Greece's leverage against its creditors. Those creditors, however, reminded Greece that a failure to forge a deal with them on structural reforms prior to that June 30, 2015, deadline would essentially result in default and augur catastrophic consequences for Greece.

Greeks were thus set to go to the polls on July 5, 2015, to vote in a referendum on the very rescue package that the Greek prime minister had already rejected. After the votes were counted, the result showed a decisive "no" vote as Greeks overwhelmingly rejected the rescue package by ***European*** creditors. This result meant that Greece was now effectively wading into uncharted territory.

With a sense of urgency at stake and the clock ticking, the Euro ***zone*** issued a deadline for Greece to present new proposals for consideration.

With two hours to spare, Greece met that deadline although the new slate of proposals from Greece were essentially a repeat of the package Greece's creditors offered in June 2015. A key distinction in this new blueprint was the inclusion of a call for increased rescue loans as well as debt relief for Greece.

Finally, on July 13, 2015, a deal to rescue Greece from economic crisis had been reached. The new agreement mandated that the Greek government legislatively ratify and then institute a collection of strict austerity measures. There were also harsh demands by hardliners that were sure to raise the ire of Greek nationalists. It was apparent that Greece's creditors were trying to deliver the message that they now held the power. The good news for Greece was that the full meeting of the ***European*** Union was cancelled, making it clear that no vote on a "Grexit" would be held immediately. But while Greece could sigh with proverbial relief over this economic lifeline, the fact of the matter was that the country would have to chart a difficult path forward -- and one that was likely to be unpopular with the Greece citizenry.

To that end, by August 2015, the Greek prime minister had carried out a cabinet shuffle to purge the government of disloyal Syriza members; he was also trying to assuage his party regarding the unpalatable reformist path it has taken. That attempt was not yielding desired results. Instead hardliners within Syriza split from the party to form their own breakaway group and Prime Minister Tspiras resigned as the head of government given his loss of a parliamentary majority. While rival parties tried to establish a replacement coalition government, the fact of the matter was that Greek citizens were headed back to the polls later in the year 2015 for repeat parliamentary elections. It was to be seen if Tspiras' popularity would be enough to return him to power.

Political dissonance gives way to fresh elections --

While Greece had secured rescue funds in mid-2015, the terms of the deal were not acceptable to Syriza hardliners, who blasted Tspiras for accepting the conditions. As a result, a breakaway contingent of Syriza members of parliament was growing with former Energy Minister Panagiotis Lafazanis urging that a new radical movement be formed.

A statement by Lafazanis and several other Syriza members read as follows: "The fight against the new bailout starts today, by mobilizing people in every corner of the country."

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In this way, it was to be understood as the third largest bloc in the Greek legislative body -- ahead of both the centrist To Potami and the far-right Golden Dawn, which hold 17 seats respectively. Popular Unity was led by former Energy Minister Panagiotis Lafazanis, who was conspicuously at odds with Tspiras over the terms of the rescue agreement and famously declared his desire to

"smash the Euro ***zone*** dictatorship."

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Assuming that an alternative government could not be forged, then Sept. 20, 2015, was the likely date expected for fresh elections to be held in Greece. That outcome loomed when both the conservative flank and the hard-left flank parties attempted to form new governments and failed. As such, with Prime Minister Tspiras having resigned, Vassiliki Thanou, an anti-austerity advocate and a Supreme Court judge, was named as the country's caretaker prime minister. Greece's first female prime minister would administer the country on an interim basis until elections could be held a month later in September 2015.

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Greek voters set to decide which party to reward with new mandate for government --

Parliamentary elections were to be held in Greece on or around Sept. 20, 2015. Of note was the fact that parliamentary elections had actually been held at the start of the year on Jan. 25, 2015, and new elections were not due until 2019. As such, this early polling exercise should be understood as a snap election. Also of note was the fact that this would be the fourth Greek election to be held in less than three and a half years.

At stake would be the composition of the legislative branch of government. In Greece, the unicameral "Vouli ton Ellinon" (Parliament) was made up of 300 members who are elected by a system of reinforced proportional representation from 51 multi-seat constituencies and five single-seat constituencies; there is a three percent threshold to obtain seats. Members of parliament are elected to serve maximum four-year terms although elections may be called early.

The initial slate of parliamentary elections in January 2015 were dominated by the debt crisis rocking the country and were won by the anti-austerity and anti-bailout radical leftist party, Syriza, and led to Alexis Tsipras becoming the new prime minister. Despite the anti-austerity platform of Syriza, Prime Minister Tspiras was forced to compromise with Greece's creditor institutions in order to secure rescue funding needed to keep the country financially afloat, while also maintaining Greece's membership in the Euro ***zone***.

This second slate of 2015 parliamentary elections were expected to be dominated by the debt crisis solution -- specifically, the rescue deal and all of its difficult provisions, which left anti-austerity absolutists in the Syriza government in a state of revolt.

In fact, hardline rebels from Syriza soon formed a breakaway group and established their own political party named Laiki Enotita (or Popular Unity in English).

Composed of 25 members of parliament,

Popular Unity held the distinction of being the third largest bloc in the Greek legislative body -- ahead of both the centrist To Potami and the far-right Golden Dawn, which hold 17 seat respectively. Popular Unity was led by former Energy Minister Panagiotis Lafazanis, who was conspicuously at odds with Tspiras over the terms of the rescue agreement and famously declared his desire to

"smash the Euro ***zone*** dictatorship."

Meanwhile, with hardliners within Syriza splintering away from the party to form their own breakaway group, and with a parliamentary majority now gone, Prime Minister Tspiras had resigned as the head of government and called for fresh elections to be held. Rival parties, including the conservative New Democracy and the newly-formed hard-leftist Popular Unity, tried to cobble together a replacement coalition government -- and respectively failed at that task. Ultimately, the mandate for forming a government was returned to the Greek president, who then dissolved parliament and called for snap elections to be held on Sept. 20, 2015.

With fresh elections ahead and Prime Minister Tspiras having resigned, Vassiliki Thanou, an anti-austerity advocate and a Supreme Court judge was named as the country's caretaker prime minister. Greece's first female prime minister would administer the country on an interim basis until the snap elections were held.

Now, the rival parties were refocusing their goals and hoping that they would have a new opportunity at the polls to take the reins of power. But the outgoing prime minister's rivals would have to contend with the fact that Tspiras remained politically popular and could well win re-election, effectively giving him a fresh leadership mandate.

It was to be seen if Tspiras' popularity -- over 60 percent according to polls in mid-2015 -- would be enough to return him to power.

Polling data at the end of August 2015 indicated that Syriza -- even with the defections from hardliners -- would likely attract the most votes, although not quite enough to secure a parliamentary majority.

For his part, Prime Minister Tspiras made clear that if he had to form a future coalition government, he would not be looking to either of the main etsablishment parties -- conservative New Democracy or the social-democratic Panhellenic Socialist Movement (PASOK) -- as likely partners.

New Democracy was on track to attract the second most votes, and would thus be in place to form a government if Syriza failed at that task.

As before, the far-right and neo-Nazi Golden Dawn as well as the centrist To Potami were attracting the middle tier of votes. The newly-formed Popular Unity was in that middle tier.

On the other hand, the Independent Greeks were at the bottom of the pack and were at risk of not meeting the three percent threshold needed to enter parliament. But a large segment of the Greek electorate remained undecided, meaning that the outcome of the elections promised to be a mystery to the end.

By the start of September 2015, the political landscape had changed and Syriza's advantage had eroded.

Most polling data showed Syriza sporting only a neglible lead over the center-right New Democracy party. A survey of several polls showed Syriza hovering around 26 percent with New Democracy close behing with 25 percent. Other polls showed the two parties in a dead heat at 25 percent, while at least one poll gave New Democracy the lead.

With at least 10 percent of the Greek electorate undecided, the race could go either way.

By the second week of September, these types of polling numbers remained in place, showing Syriza in a statistical tie with New Democracy.

In mid-September 2015, with only days to go until election day,

there was a host of polling data -- none of it predictive of a conclusive election outcome. Several polls showed Syriza with a small lead over New Democracy; a handful of polls reversed the dynamic with New Democracy slightly leading Syriza. The data collectively presented the picture of a close and competitive race with no one party likely to win a majority.

But of significance was the addition of new survey data showing that New Democracy's leader , Vangelis Meimarakis, was gaining on Tspiras in terms of popularity. Analysts were suggesting that his forthright persona was resonating well with Greek voters eager for stability.

Not one to squander this advantage, Meimarakis displayed his pragmatism when he declared that he was open to an alliance with Syriza in the interests of national unity. By contrast, Tsipras has foreclosed such an alliance.

Since the majority of Greeks -- now weary from divisive politics and socio-economic drama -- were actually looking for cooperation, Meimarakis' stance was gaining him additional support. It was to be seen if it would be enough on election day.

It should be noted that the leaders of both the center-right New Democracy and the radical leftist Syriza were indicating that they would both make good on the commitments by Greece to secure rescue funds, and move forward with the necessary structural reforms.

Note: The main parties expected to contest the elections were as follows: anti-austerity and radical leftist Syriza; center-right (sometime referred to as conservative) New Democracy; newly-formed, hard leftist, and anti-bailout

Laiki Enotita (or Popular Unity in English); ultra-right and neo-Nazi aligned Golden Dawn; centrist To Potami (or The River in English); leftist Communist Party of Greece; right wing populist and nationalist conservative Independent Greeks; leftist and social-democratic Panhellenic Socialist Movement (known mostly by its acronym PASOK).

Election results --

Voters in Greece went to the polls for the second time in 2015 to vote in parliamentary elections. As discussed above, polling data predicted a close race; however, the outcome of this election would serve as a reminder that polls were not guaranteed forecasts. When the ballots were counted, it was clear that Prime Minister Tsipras and his radical leftist Syriza party were on track for victory. Indeed, Syriza had outperformed the polling forecast and secured close to 36 percent of the vote and around 144 seats. The center-right New Democracy party was set to garner 28 percent and about 75 seats. In third place was the xenophobic neo-Nazi entity, Golden Dawn, which took seven percent.

The rest of the votes went to other parties.

As expected, no one party won an outright majority. That being said, the party with the plurality of the vote share -- Syriza in this case -- would be positioned to form a coalition government. Having foreclosed the notion of a grand coalition that would include the center-right New Democracy, Syriza would be looking to other smaller parties, such as the centrist To Potami, the socialist PASOK, or their former partners, the right-wing Independent Greeks, to control a majority of seats in parliament.

With the Independent Greeks on track to garner about 10 seats, Syriza could very well reconstitute the same coalition it formed after the previous phase of parliamentary elections in 2015. Such a coalition would now be more stable, given the defection of the most hardline and radical anti-austerity players from Syriza.

Vangelis Meimarakis, the leader of New Democracy, conceded defeat gracefully and urged Tspiras to form a government. He said, "The electoral result appears to be concluding with Syriza and Mr. Tspiras in the lead. I congratulate him and urge him to create the government which is needed and come to parliament."

For his part, Prime Minister Tsipras' victory at the polls for a second time in less than a year stood as a vindication of his anti-austerity stance, and a national ratification of his pragmatic decision to accept the harsh terms of the bailout in order to keep Greece solvent and in the Euro bloc. Moreover, Tspiras' victory at the helm of Syriza also signaled a renewed mandate for his leadership.

In his victory speech before cheering crowds in Athens, Prime Minister Tspiras said, "In Europe today, Greece and the Greek people are synonymous with resistance and dignity, and this struggle will be continued together for another four years. We have difficulties ahead, but we are also on firm ground. We wont recover from the struggle by magic, but it can happen with hard work." He added, "Together we will continue the struggle we began seven months ago."

Going forward, Greece would not only have to fulfill its obligations to international creditors, it would also have to deal with the unfolding refugee crisis affecting all of Europe.

Primer on 2019 parliamentary elections in Greece

(July 7, 2019)

Snap parliamentary elections in Greece were held in July 2019. Since the previous elections of 2015, Greece was governed by Prime Minister Alexis Tspiras and the left-wing populist Syriza party. It was to be seen if Tspiras and Syriza would be able to hold onto power after governing on an anti-austerity platform.

Once Greek citizens went to the polls and cast their ballots, it was clear that Greece was following a trend of Europe moving in a rightward direction. To this end, the conservative New Democracy party won Greece's snap general election, handing a defeat to leftist Prime Minister Alexis Tsipras, who conceded defeat.

Factoring in the fact that Greece gives the winner 50 extra seats in parliament, projections on election night had New Democracy winning an outright majority. New Democracy captured approximately 39.8 percent of the vote with Tsipras's leftist party, Syriza, coming in second with 31.6 percent.

New Democracy's pro-business leader, Kyriakos Mitsotakis, was set to be the next prime minister. The party ran on lowering taxes, generating economic growth, and privatizing services throughout the country.

Tsipras came to power in 2015 by campaigning on a platform to end austerity and Greece's international bailout agreement, although he was ultimately forced to accept a bailout worth $100 billion as a result of pressure from the ***European*** Union, the International Monetary Fund, and the prospect of "Grexit" (i.e. leaving the Euro currency). Ever since then, support for Syriza had gradually waned since. Combined with rising unemployment and the economy being a fraction of its former size when the debt crisis began, the conditions were ripe for Syriza's ouster.

The international bailout program for Greece ended in August of 2018, which meant Greece could self-finance again and use financial markets to fund its activities.

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