



Mission Viejo High School Model United Nations
29th Annual Conference
“Through the Fire the Spirit is Forged”



G-20 Summit

Greek Debt Crisis

I. Background

The Greek economy was healthy and growing at a high rate for many years; however, in 2009 the country's economy declined dramatically along with the rest of the world. This decline did not stop Greece from overspending with borrowed money though, even as tax evasion was prevalent throughout the country. Because Greece is a part of the European Union, which uses the euro as currency, its bad economic decisions have been directly affecting the rest of Europe, and in particular the Eurozone, in a volatile manner. Greece currently owes around 340 billion euros, so in June of 2011 the EU extended debt maturities to a minimum of 15 years and reduced interest rates to around 3.5 % along with a 109 billion euro loan funded partially by the International Monetary Fund. The reason for the bailout was because Greece has the lowest credit rating possible by Standard & Poor's financial service and consequently has not been able to receive more loans to pay off the debt, most of which is owed to Germany and France. If Greece fails to pay their debts and defaults, several European banks could shut down. This is affecting not just Europe but the entire world because the 10 largest U.S. "prime" money funds have about half their assets stowed in European banks. The Greek debt issue negatively affects the world because the global stock exchange and the global economy have been the hardest hit aspect of this dilemma.

II. UN Involvement

The United Nations has not ventured far into the Greek debt issue, other than the Office of the United Nations High Commissioner for Human Rights which advocates that the austerity measures taking place to save the economy are going to cause human rights violations in Greece.



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Also, the European Financial Stability Facility was created as a result of the Greece’s economic issues. Its aim is preserving financial stability in Europe by providing financial assistance to Eurozone states in economic difficulty. The EFSF has played a key role in preventing a default on Greek loans up to this point. An NGO called Committee for the Abolition of the Third World Debt advocates that the Greek debt is an odious debt that is not a part of the state but the regime that incurred it. The social effects of the Greek austerity measures have been severe, with poor foreign immigrants and even some Greek citizens, turning to NGOs for healthcare treatment as the health care system is revised and the retirement age is increased. Eurodad, the European Network on Debt and Development, has been pushing for a debt audit in order to properly assess Greece’s debt as well.

III. Possible Solutions

The first step toward solving the economic issues of Greece would be a strict austerity program to greatly reduce all government expenditures and possibly even attempt to lower trade deficits. Another option is for the European Union along with the International Monetary Fund or possibly non-European countries to loan Greece even more money with low interest rates and extend loan repayment periods. Other alternatives are decreasing tax evasion so that the government can have more income, and reforming the health care system to save money with a more stringent revenue service. Also, more drastic resolutions would be either Greece completely leaving the Eurozone or a single authority responsible for tax policy and government spending.

IV. Bloc Positions



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Asian Bloc: Not very many Asian countries are directly concerned with Greece’s debt with the exception of China who showed interested in purchasing some of the debt; however, the repercussions of the debt crisis in the Asian stock market negatively affect the entire Asian bloc.

Latin American Bloc: The Latin American bloc is not explicitly harmed by the Greek debt issue but its stock market will most likely suffer moderately because of lack of foreign investments, especially if the economic worries spread to Spain.

European Bloc: The European bloc countries are the most affected by the Greek economic problem, such as Germany, France and the UK, who all are exposed to substantial Greek debt. Also the members of the EU will have to deal with the value of the Euro deteriorating and maybe even more severe consequences if the issue is not vigorously dealt with.

African Bloc: The Greek debt crisis has had very little influence on the African bloc, as these countries have not loaned large sums of money to Greece nor do their stock exchanges depend solely on Greece.

North American Bloc: U.S. banks have limited exposure to Greece and Canada has virtually none. The American stock market has been going up and down with the news of Greek debt, therefore if the problem persists stocks could continue to decline, exacerbating the current recession in the American economy.

Middle Eastern Bloc: The economies of the Middle Eastern bloc countries are not reliant on Greece being successful, but they may still be affected.

V. Points to Consider



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1. How will your country be affected if Greece defaults on its debts?
2. Does your country believe that Greece should be forced out of the euro?
3. What are other alternatives to bailing out Greece for a second time?
4. How can you apply the causes of the Greek debt crisis to your country to prevent this from occurring in your country?
5. What is your county’s policy on the issue and how is this affecting your country?

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