Change Through Cooperation

WISMUN V

Chair Report

Economic and Social Council

Addressing the socio-economic impacts of the Greek debt crisis

Nicholas Lo and Anya Chan

Message from the Chairs

Greetings delegates!

We are Nicholas Lo and Anya Chan, a Year 13 and a Year 12 student from West Island School, and we are delighted to be serving as your chairs for the Economic and Social Council (one of the six principal organs of the United Nations) at the 5th iteration of WISMUN.

ECOSOC was established in 1945, alongside the UN, and addresses a wide range of issues, ranging from sustainable development, to humanitarian affairs and the coordination of global efforts for meeting the 2030 SDGs. In recent times, ECOSOC has put particular emphasis on spotlighting the intersection between economic, social and environmental issues. The committee meets annually to discuss solutions and adopt resolutions on these pressing issues, which contributes to global development, wellbeing and sustainability. Delegates should aim to work to achieve long lasting solutions, whilst satisfying as many parties as possible.

This chair report serves as a background guide for delegates to understand the topic at hand. Given that ECOSOC is a beginner committee, research external to the chair reports is optional but still highly encouraged, most importantly delegates are reminded to keep an open mind and attempt to regularly contribute to debate, as this allows everyone to improve their debating skills and learn more about global issues. Delegates are also expected to prepare a one-minute opening speech on both topics before the conference. At WISMUN V, delegates are expected to behave cordially and remain respectful to each other. Please also note that the use of AI and any AI-generated material is strictly prohibited, and any violations will result in an immediate disqualification from awards. Additionally, ECOSOC at WISMUN V will follow HMUN procedure.

If you have any questions throughout your preparation for the conference, feel free to reach out and email us. Good luck, and we look forward to seeing you soon!

Best regards,

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Glossary

Key Terms	Definition
Gross Domestic Product (GDP)	The total monetary value of all finished goods and services within a country's borders in a given time period.
The Stability and Growth Pact (SGP)	An agreement between European Union member states to uphold the Economic and Monetary Union (EMU), through maintaining and enforcing fiscal discipline.
The Economic and Monetary Union (EMU)	A set of policies aimed towards consolidating the economies of EU member states.
Austerity measures	Policies aimed towards reducing government budget deficits, usually through public spending cuts and tax raises.

Background Information:

Origins of the Greek Debt crisis:

The Greek debt crisis began in 2009 and was one of the most significant economic crises in modern European history. For decades prior to the crisis, Greece's economy suffered from structural inefficiencies, including widespread tax evasion, bloated public sector spending, and weak financial oversight. These issues were compounded by a reliance on foreign borrowing to fund public expenditures. By the early 2000s, Greece had accumulated significant levels of public debt. However, the adoption of the euro in 2001 masked many of these vulnerabilities.

Joining the eurozone allowed Greece to borrow at low interest rates, as investors assumed the shared currency implied strong economic governance and stability. Instead of using this favorable borrowing environment to implement structural reforms, Greece continued to expand public spending. Successive governments would often use fiscal policy to garner political favor, increase pensions, public sector salaries, and social benefits without creating the necessary revenue streams to sustain them. Additionally, Greece's tax collection system was highly inefficient, with widespread avoidance further limiting state revenue.

The Eurozone:

Greece's membership in the eurozone played a central role in the development and escalation of its debt crisis. Although the eurozone was designed to foster economic integration and stability, it also created systemic challenges for member states, particularly those with weaker economies like Greece. By adopting the euro, Greece forfeited control over its monetary policy and could no longer devalue its currency to boost competitiveness. This left fiscal policy as its primary tool for managing economic challenges, but Greece failed to maintain the fiscal discipline required under eurozone rules.

The Stability and Growth Pact (SGP), which set limits on budget deficits (3% of GDP) and public debt (60% of GDP) for eurozone members, was largely ignored by Greece. Instead, Greece misreported its budget deficits for years, hiding the true extent of its fiscal imbalances. Between 2000 and 2008, with its debt-to-GDP ratio steadily on the rise, while its economy became increasingly reliant on external borrowing.

The 2008 Global Financial Crisis:

The global financial crisis of 2008 was the immediate trigger for Greece's debt crisis. As financial markets reeled from the collapse of major banks and institutions, investor confidence in sovereign debt weakened, particularly in countries with high levels of public debt and fiscal deficits. In late 2009, Greece's newly elected government, led by Prime Minister George Papandreou, announced that the country's budget deficit was not 6.7% of GDP as previously reported, but a staggering 12.7%—later revised to 15.4%.

This revelation shattered investor confidence in Greece's ability to manage its finances and repay its debts. Borrowing costs for Greece skyrocketed as credit rating agencies downgraded its sovereign debt to junk status. Unable to borrow at sustainable interest rates, Greece faced the risk of default, which would have had catastrophic consequences for both the country and the eurozone as a whole.

Bailout and Austerity Measures:

In 2010, Greece received its first bailout package, worth €110 billion, from the "troika", an entity comprising the European Union (EU), European Central Bank (ECB), and International Monetary Fund (IMF). This was the largest bailout in history at the time and was aimed at preventing a default and stabilizing the Greek economy. However, the bailout came with strict conditions, including severe austerity measures designed to reduce Greece's budget deficit.

The austerity measures included deep cuts to public spending, tax increases, pension reforms, and labor market liberalization. While these measures aimed to restore fiscal discipline and reassure creditors, they also plunged Greece into a deep recession. GDP contracted by over 25% between 2008 and 2014, unemployment rose to over 27%, and youth unemployment exceeded 50%. The austerity measures disproportionately affected the most vulnerable segments of society, leading to widespread poverty and social unrest.

Despite the initial bailout, Greece's financial problems persisted. A second bailout package, worth €130 billion, was approved in 2012. This package included a debt restructuring deal, in which private bondholders agreed to take significant losses on their Greek debt holdings. While this reduced Greece's debt burden, it was not enough to restore economic stability or growth.

Political impacts:

The harsh austerity measures imposed by the troika were deeply unpopular and led to mass protests, strikes, and violent clashes. Many Greeks felt that the measures prioritized the interests of international creditors over the well-being of Greek citizens. The crisis eroded trust in traditional political parties, leading to a rise in populist and anti-austerity movements.

In 2015, the left-wing party, Syriza, led by Alexis Tsipras, came to power on an anti-austerity platform. Syriza's victory reflected widespread frustration with the troika's policies and the economic hardship faced by ordinary Greeks. However, despite initial resistance, the Syriza government eventually agreed to a third bailout package worth €86 billion, which also included additional austerity measures.

By the late 2010s, Greece began to show signs of recovery. In 2018, it officially exited its third bailout program, and economic growth slowly resumed. However, the recovery was uneven, and the scars of the crisis remained visible. Public debt remained one of the highest in the world, and unemployment, although declining, was still above pre-crisis levels. Poverty and inequality also persisted, reflecting the long-term social costs of the crisis.

Key Stakeholders

Stakeholder	**Summary of Stance**
Greece	Greece being the debtor nation naturally seeks to continue reducing its debt, however Greece must balance creditor demands for austerity and reforms with the political and social pressures of a deeply discontented population. Greece also seeks to preserve its own national sovereignty while complying with bailout conditions.
Germany	Germany was the largest creditor nation and the most influential country in shaping the eurozone's response to the crisis. It strongly advocated for fiscal discipline and strict austerity in exchange for bailout funds. Germany sought to protect its taxpayers, enforce

	eurozone fiscal rules, and prevent moral hazard (i.e. rewarding irresponsible fiscal behavior).
USA	The U.S. played an indirect but influential role through the International Monetary Fund (IMF) and its global economic leadership. It encouraged the EU to take decisive action to resolve the crisis. The U.S. sought to prevent the Greek crisis from destabilizing global financial markets and impacting its own economy.
France	France was Greece's most prominent ally among the major eurozone economies. While it supported reforms, France also pushed for greater solidarity within the eurozone and advocated for debt relief. France sought to balance the need for stability in the eurozone with a more lenient approach to Greece. It also aimed to prevent the crisis from destabilizing southern Europe.
Italy	Italy, as one of the eurozone's larger economies, shared similar vulnerabilities to Greece, including high public debt and slow growth. It supported Greece's push for leniency and reforms that emphasized growth. Italy wanted to prevent Greece's crisis from spreading to itself, fearing that this could destabilize its own economy. Italy also sought greater solidarity within the eurozone.
Spain	Spain, like Italy, was another southern European nation that faced economic challenges during the eurozone crisis. It supported Greece's calls for solidarity and policies to promote growth. Spain sought to avoid the spread of the crisis to its own economy and supported reforms to improve fiscal governance in the eurozone.

Key Clashes

Debt relief

Despite exiting the bailout programs, Greece's public debt remains one of the highest in the world, at around 170% of GDP as of 2023. While debt repayment schedules have been restructured, the sheer size of the debt raises questions about its long-term sustainability. Creditor nations like Germany, were hesitant in granting Greece significant debt relief. As they fear that debt forgiveness would set a precedent for other struggling countries in the eurozone to demand similar treatment, undermining fiscal discipline. Other countries, notably Greece and France, argued that debt was unsustainable and that meaningful debt relief was necessary for economic recovery. These countries highlight that austerity measures imposed alongside the bailouts programs made it nearly impossible to grow the economy while servicing such a massive debt burden.

Austerity vs Economic Growth

The austerity measures imposed by the troika (EU, ECB, and IMF) during the bailout programs remain a contentious issue. While these measures helped reduce budget deficits, they also caused significant economic and social hardship. Countries like Germany, the Netherlands, and Finland pushed for strict austerity measures as part of the bailout agreements. These countries argued for stricter fiscal discipline, reducing public spending, and reforming the Greek economy to restore confidence and stability. Greece and other mediterranean countries, such as Spain, Portugal, and Italy, argued that excessive austerity deepened the recession and worsened unemployment and poverty. These nations advocated for policies that prioritized economic growth and investment over rigid budgetary constraints.

Eurozone Governance

Many northern european countries, led by Germany, were reluctant to agree to reforms that would increase fiscal integration, such as the creation of mutualized eurozone bonds (Eurobonds) or large-scale fiscal transfers between member states. These countries feared that such measures would encourage irresponsible fiscal behavior in weaker economies. On the other hand, southern european countries like Greece, Italy, Spain, and Portugal, have advocated for deeper fiscal integration and greater financial solidarity within the eurozone. They argue that the lack of mechanisms for risk-sharing, such as a common budget or mutual debt issuance, leaves weaker economies vulnerable to crises.

Past Actions

Bailout Programs

Initially, three major bailout programs were implemented by the "troika" (EU, ECB and IMF) to provide financial assistance to Greece. These bailouts aimed to prevent Greece from defaulting on its debt and stabilize its economy. However, the strict austerity measures which came with these programs were deeply unpopular with the Greek people, which led to many protests against such measures, with political parties such as Syriza, being able to run on anti-austerity platforms.

Debt Restructuring and Relief

In 2012, private creditors (e.g., banks, hedge funds) voluntarily agreed to write off 53.5% of the face value of their Greek bonds, accept lower interest rates on the remaining debt and extend the maturity of bonds. This had the effect of reducing Greece's debt burden by approximately €107 billion, or 50% of GDP.

After 2012, the EU and eurozone member states implemented measures to help ease Greece's debt burden by extending repayment periods on loans, reducing interest rates on bailout loans and granting repayment holidays (essentially deferring debt repayment by several years). For example, in 2018, Greece received a 10-year extension on repayment deadlines for €96 billion of European loans, along with a 10-year deferral on interest payments.

Austerity Measures

Austerity measures were the cornerstone of the bailout agreements which were aimed at reducing Greece's budget deficit and public debt. Leading to a reduction of Greece's budget deficit from 15.4% of GDP in 2009 to a primary surplus (excluding debt servicing costs) in subsequent years. However, these measures were highly controversial and had significant social and economic consequences. As austerity measures include cuts to public sector wages, tax increases, pension cuts and other spending cuts; they had a significant impact on the Greek people and were thus highly unpopular among Greek citizens. Austerity also deepened Greece's recession, with GDP contracting by over 25% between 2008 and 2014. Unemployment soared to over 27%, with youth unemployment exceeding 50%.

Potential Solutions

Stimulating Economic Growth

Currently, Greece's economy remains fragile, with high unemployment rates, low productivity, and over-reliance on tourism and shipping. Stimulating economic growth can include diversifying the economy, encouraging foreign investment, fostering small and medium enterprises and leveraging EU funds are all potential methods to strengthen Greece's economy, which has long been struggling since the debt crisis.

Strengthening Eurozone Solidarity

The Greek debt crisis highlighted weaknesses in eurozone governance, including a lack of fiscal solidarity and risk-sharing mechanisms. Strengthening the eurozone could include implementing new reforms to allow for greater flexibility during times of economic crisis (e.g. suspending deficit rules during recessions), creating a common eurozone budget to help provide financial support to mamber states during crisis or creating an Eu-level unemployment insurance to minimise the impacts of economic shock on individual member states.

Guiding Questions

- To what extent do structural adjustment programs (SAP) allow a nation to prosper?
  - With other global examples of SAP, most notably in African nations, how can delegates address the shortcomings of SAP?
- How can delegates address the impacts austerity measures left in Greece?
  - Should austerity measures be balanced against more fiscally expansionary policies?

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