



The Post-Referendum Greece: Between Challenges and Hope

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July 2015

On Sunday, July 5, 2015, the Greek people gave a clear 'No' to a proposed bailout deal by the Troika (the European Commission, International Monetary Fund and European Central Bank). Though the national referendum was specifically about the Troika's proposed plan, both Greek and European leaders and the media transformed it into a vote on Greece's participation in the Eurozone and ultimately the European Union. The Syriza¹ led government vocally supported the 'No' vote, arguing that the position would provide Greece with the leverage to negotiate a better deal with the creditors. Traditionalist center and right-wing parties supported the 'Yes' vote, voicing concerns that a rejection of the Troika deal would lead Greece to default, a return to drachma (Greece's pre-Euro national currency), an exit from the EU, and eventually international isolation.²

Not surprisingly, things are still as unclear as they were before the referendum, and there is no shortage of possible outcomes for Greek politics and economics. Perhaps the only certainty is that the road ahead will be very challenging for Greece and its people; and this would have been the case regardless of the referendum's results. Greek banks are still closed. The country has unofficially but practically speaking defaulted and, with regard to its EU and Eurozone memberships, finds itself between a rock and a hard place. With a bloated debt of nearly 345 billion euros, even if its reluctant partners and creditors agree to a new proposal Greece will not be able to break the vicious circle and return to economic growth.

On the other hand, though an official default within or without the Eurozone and EU could arguably provide the necessary prospects for economic recovery in the medium or long run, it would – at least temporarily – leave the country in an even more

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¹ Coalition of the Radical Left (Syriza). It has formed a coalition government with right-wing party ANEL (Independent Greeks) after the January 25, 2015 national elections.

² See more in, Marianna Karakoulaki, "The Greek Referendum as Societal Schism", *e-International Relations*, 04 July 2015, <http://www.e-ir.info/2015/07/04/the-greek-referendum-as-societal-schism/>.

devastating position than the one it currently finds itself in. Deciding which option is best will not be easy and in the end it might even come down to a matter of principle and dignity rather than politics or economics.

Either way, Greece's international standing and foreign policy is unquestionably going to change. Greece is an integral part of the European continent, but given the increase in Eurosceptic and anti-European sentiments in the country and its immediate domestic needs, a shift in orientation is quite possible.

This is not to say that Greece will leave the EU or NATO; it is highly likely that it will not, even in the case of a national default. Yet it is possible that Greece will seek economic and geopolitical support from actors such as Russia and the other BRICS countries (Brazil, India, China, and South Africa). And while China would not welcome Greece's possible return to the Drachma, given that such a development would have a negative impact on the Eurozone and that about a quarter of its foreign exchange reserves are in Euros, in an absence of other EU-based options there may be little choice for Athens aside from the non-Western route.

A crippled economy would be a significant blow to Greece's overall influence, and its regional position may suffer, but while other countries – such as Turkey – might try to exploit its current dilemma, Athens will refrain from adventurous foreign/security policy decisions and it will try to maintain good relations with all of its neighbors in the Eastern Mediterranean, including Israel. In this light, it will also try to maintain its engagement in the emerging energy architecture of the region and enhance its collaboration with Cyprus, Egypt and Israel. In fact, the exploitation and exportation of Eastern Mediterranean natural gas could become a crucial element in Greece's efforts to make an economic and geopolitical come-back.

Greece faces numerous challenges, but its geostrategic significance will prevent it from fading into irrelevancy. In fact, it appears that once again in its history Greece is a catalyst for change in Europe and beyond.