

## **Greece: Scenarios and Strategic Options to Overcome the Crisis**

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### **Abstract**

The purpose of this article is to present and discuss possible strategic solutions for the Greek crisis outlined in recent years. In the article, we use a hybrid method of analysis to propose solutions based on Situational Strategic Planning (SSP) and the development of specific analytical tools for the case of Greece. Several moments are considered in the study with the identification and synthesis of problems, causes, consequences, feasibility of measures and conflicts in potential. The latest crisis, the so-called “Greek crisis” is presented by the media and various organizations as a crisis of public spending excesses in relation to government revenues and non-payment of foreign debt. Moral guidelines in relation to decisions taken in the past by the government in relation to the salary increase for civil servants, falling tax revenues and certain consequences of the 2008 crisis on the country gives us the first painted image. We address economic, social and political aspects on internal and external context allowing the construction of scenarios, plans and design of strategic solutions at short, medium and long run. We show how one of the most traditional countries in the world could establish positive elements from the crisis.

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## **1 Introduction**

The purpose of this article is to present and discuss possible strategic solutions for the Greek crisis outlined in recent years. In the article, we use a hybrid method of analysis to propose solutions based on Situational Strategic Planning (SSP) and the development of specific analytical tools for the case of Greece. Several moments are considered in the study with the identification and synthesis of problems, causes, consequences, feasibility of measures and conflicts in potential. We address economic, social and political aspects on internal and external context allowing the construction of scenarios, plans and design of strategic solutions at short, medium and long run. We use a set of analytical instruments in order to outline possible solutions to overcome the crisis by Greece. In particular, the Strategic Situational Planning proposed by Carlos Matus(1987) and some aspects about his theory of social game that has proven to be quite potent in practice compared to several traditional methods of planning.

Giacomini(2011) cites Matus and points out that he assumes that the traditional government planning process is normative and usually has flaws in the measure that governments basically living largely on improvisation and not articulated considering the multiplicity of actors and interests involved. Planning is the main instrument of government action geared to action and transformation of this in order to create a different future.

These plans in the social sphere contains elements of complexity and uncertainties. Although relatively little known including in specialized academic circles, the SSP is a helpful analytical tool for government action and management of public policy. Some successful experiences have been reported, particularly in Latin America.

The planner does not exist in the SSP because this is confused with the very executor of shares or moves. At the same time, there is no finished plan. The plan only is completed in action. The situational assessment is carried out continuously throughout the plane. The assessment is made by the player himself or by expert advice. The analysis of the situation includes making conjectures about the possible reactions of other remembers Lida(1993) about Matus ideas.

The beginning of a public management is characterized by a high expectation period because the ruler should put in practice his proposals for government, which could become a disillusionment over time if the ruler do not transform the future based on the popular vote. One of the key points is that plans should be coordinated with the policy and the management, to the extent that explicit objectives, skills, resources, coordination mechanisms between agents and policies proposed by the government can be conflicting. Negotiation, cooperation, cooptation, conflict, competition, and others aspects are essential elements that will be present in the practice of politics and management of the ruler.

Governments can use stratagems liabilities as paralysis, inaction, action or false hopes or any actors can use stratagems like concealment, misrepresentation, obstruction, duplicity and seduction, with which the government must deal.

The government's capacity is a leading capacity, weighted by experience and knowledge in science and technology in government. It is a leadership or guidance that builds up in the person of the leader, his government team and the organization he leads. It draws on the wealth of techniques, methods, skills and abilities of a player and his government team required to drive the social process, given the governance system and the project government's commitment. Government capacity is synonymous with expertise to carry out a project of transformation of social reality.

Giacomini (2011) cites Matus and points out that the issues surrounding accountability and results comprise:

- The relationship between pledges, commitments and results based in the electoral program, plans and actions;
- Causes of discrepancies between promises, commitments and results;
- Effectiveness, efficiency and opportunity in addressing the problems and the production of actions to address them;
- General situation resulting from government management;
- Respect to the values and rules of the society.

The competence of leader has some aspects. The ruling has force vectors, some of personal character as in the case of personality (invariable for Matus), values, cognitive abilities and motivations. Also the vector of attitudes and cognitive heritage that complement the power of the ruler. The agenda of the leader, a president of the Republic or Minister of State, for example takes into account the time and focus, those around him, protectors and what is the value of proposal which is equal to its techno-political value multiplied by the communication channel used. The leader can only appraise the value of the communication channel used. The techno-political processing has functions of filter of the quality of the problems in process: defense of what is important in relation to the urgent use of the official time; the problems value filter; constant synthesis of situational monitoring and review of periodically leader's agenda to manage the use of their time. It also serves to collaborate with the rigorous preparation of accountability and performance.

The triangle of government proposed by Matus has three dimensions to evaluate the effectiveness of a transformer government project, as follow (Giacomini, 2011): The Government project and its commitments implies in exchange of problems; Possibilities of governance considering the relationship between the weight of controllable variables and uncontrollable; Ability to government as

convergence leadership, knowledge and experience.

Low government's ability affects governance, the quality of proposals and the government's management. Situational planning says that never is possible to have total governance or capacity of government. Deterministic design of the future is not possible; instead, SSP adopts a more flexible design, interactive and betting on contexts. These explicit contexts are possible scenarios.

The essence of planning involves a careful selection of the problems to be faced by the government. The administrations must choose between problems to solve. Usually focused on policy management, macroeconomic administration and political balance in the exchange of problems. Some questions are key to selecting the problems, as Matus (Cited in Giacomini 2011):

- How is the management of political balance in selecting problems?;
- Which is the proportions of political value of the selected issues versus the value of postponed problems?;
- Occurs concentration or dispersal of efforts in relations to key problems?;
- Which is the proportion of problems that require continuity front to those which requiring innovation?;
- Which is the proportion of problems and results within the period of government and out of the period of government?;
- Which is the ratio of the excluded problems of selection?;
- How is possible to achieve the balance between the vector of resources needed to cope with problems selected in relation to the vector of resources available?;
- Is there consistency of the selected problems with the identification of critical nodes of macro issues? ;
- Some of selected problems can dissolve itself within a bigger problem?

There are four stages or moments in the Strategic Situational Planning: Explanatory, Normative-prescriptive, Strategic and operational tactical. In this article, we will see elements of the first three.

## **2 Explanation moment**

### **2.1 What is the Greek Crisis?**

Greece is a traditional country with many contributions to the humanity in terms of science, arts, culture, philosophy and political thought beyond its civilization legacies.

Its economy it begins to modernize after the unification as a national state in the

eighteenth century. In the nineteenth and twentieth centuries, Greece was involved in wars with neighbor's countries, which brought difficulties to finance its operations resulting in a weakening of its currency. Agrary reforms and refugees are other happenings in the country. Its strategic location and its beautiful landscape brought advantages in terms of tourism and some industries related to the boats building. Agriculture historically was always strong. Others Industries such as textile and armaments had presented relevant growth in twentieth century.

Versignassi (2011) remembers that Greece is member of European Community since 1981, the country had serious macroeconomic problems such high inflation, deficits in national accounts and irregular growth. However, the end of the nineties the country achieved the goals that would lead to enter in the Eurozone in 2001. After this period, the country lived a subsequent sustainable growth with the outcome of per capita GDP tripling before the crisis of 2008.

The latest crisis, the so-called "Greek crisis" is presented by the media and various organizations as a crisis of public spending excesses in relation to government revenues and non-payment of foreign debt. Moral guidelines in relation to decisions taken in the past by the government in relation to the salary increase for civil servants, falling tax revenues and certain consequences of the 2008 crisis on the country gives us the first painted image. Visible effects are a generalized fall of some major economic indicators, rising international credit cost to the country, protests against government austerity measures and banking restrictions imposed on the population, among other issues. Internally, a significant portion of the population and its political representatives try to preserve many gains made over the years, therefore intensifying conflicts. Externally, some creditor countries and countries with similar debt percentage to the Greek fear greater consequences of a possible Greek exit from the Eurozone. International speculators, rating agencies, international organizations, lenders and media all together have been transmitting information and feeding a supposed consensus on the crisis contributing to the worsening situation.

After the crisis, GDP falls about 20% in two years. The foreign debt grew up at difficult levels to manage and new negotiations were done with lenders. Elections and protests took place with central theme of austerity plans and its effects. In 2015, the political party Syriza gets historical legislative victory with Alexis Tsipras as new Prime Minister and Finance Minister Yanis Varoufakis. Tsipras announces one referendum to validate the agreement with lenders, but the Greek people reject it. After negotiations with creditors, new packages with restrictions on withdrawal of money were done. There are exchange of ministers and Tsipras resigns and calls general elections for September 20, 2015. Recent election had a new election of Syriza, keeping almost the same political position in the House, although with high abstention in elections and a likely repeat of the coalition with the Independent Greeks (ANEL) but not with To Potami. The growth of Pasok and

Centrist Union were also expressive and New Democracy solidifies as the second largest political force in the country. This scene brings encouragement to the new government, which will not have much time for new decisions and must negotiate a new bailout and promote oriented reforms and austerity with the complicated.

Table 1: Some Key Indicators for Greece post 2008 Crisis

Years	2008	2009	2010	2011	2012	2013	2014
<b>Macroeconomic</b>							
GDP growth(%)	-0.44	-4.39	-5.49	-8.86	-6.57	-3.89	0.77
General Debt Government(% of GDP)	117.4	134.8	128.3	110.3	164.4	179.7	178.2
Unemployment(%)	7.8	9.6	12.7	17.9	24.5	27.5	26.5
Inflation, GDP deflator (%)	4.43	2.58	0.76	0.77	0.05	-2.25	-2.5
Investment, GCF(%)	-7.02	-27.7	-10.9	-16.4	-20.8	-16.4	-2.1
External balance on goods and services(% of GDP)	-14.46	-10.88	-10.10	-9.90	-2.47	0.58	0.93
<b>Main Foreign Partners Growth and Determinant Countries to stimulus to World Growth</b>							
World(2008-2011 Average)	1.9	1.9	1.9	1.9	2.4	2.5	2.6
Euro Area(2008-2011 Average)	-0.2	-0.2	-0.2	-0.2	-0.8	-0.5	0.8
European Union (2008-2011 Average)	-0.1	-0.1	-0.1	-0.1	-0.4	0.0	1.3
US	-0.31	-2.8	-2.5	1.6	2.3	2.2	2.4
China	9.6	9.2	10.4	9.3	7.7	7.7	7.3
Japan	-1.07	-5.50	4.70	-0.50	1.8	1.6	0.0
Germany	1.05	-5.64	4.09	3.59	0.38	0.11	1.6
UK	-0.33	-4.31	1.90	1.65	0.66	1.66	2.8
France	-0.19	-3.05	1.57	1.70	-0.01	-0.10	0.70
Italy	-1.16	-5.51	1.68	0.49	-2.39	-1.40	0.40
Brazil	5.2	-0.3	7.5	2.7	1.0	2.3	0.3
India	3.89	7.40	10.10	7.3	5.10	6.40	7.20
Russian Federation	5.2	-7.8	4.5	4.3	3.4	1.3	0.62
Turkey	0.66	-4.83	9.20	8.8	2.10	4.10	2.90
<b>Economic Structure (Real value Added Growth %)</b>							
Agriculture, hunting and forestry, fishing	-0.86	7.37	4.84	-6.30	-1.08	-7.65	-0.51
Industry, including energy	-9.02	1.52	-20.45	-10.33	-8.33	-6.79	-2.05

Construction	-12.04	-19.39	-1.25	-20.50	-25.87	-18.91	-17.3
Distributive trade, repairs, transport, Accommodation and food service activities, information and communication	2.02	-8.12	-8.34	-12.62	-5.20	-1.61	5.25
Financial and insurance activities, real estate activities, professional scientific, technical, administrative and support service activities	6.50	-0.68	1.97	-6.48	-4.27	-1.99	-1.85
Other services activities	-1.65	-1.10	-5.28	-4.75	-4.64	-4.38	0.84
<b>General Data, Inequality, poverty and Social Welfare</b>							
Human Development Index(HDI)	0.858	0.856	0.861	0.861	0.861	0.861	NA
Income inequality: Gini coefficient, late 2000s(0-1 Scale)	0.331	0.332	0.338	0.335	0.34	NA	NA
Social Expenditure(%)	22.2	24.3	24.2	25.7	26.1	24.3	24
Poverty Gap(Average Score)	0.165	0.159	0.177	0.204	0.214	NA	NA
Population(in millions)	11.18	11.18	11.15	11.124	11.09	11.361	11.3
Expectations of life(Average Years)	80.3	80.4	80.7	80.8	80.7	81.4	NA
Income per capita(% Growth)	-1.13	-3.59	-4.88	-9.21	-3.13	-3.95	1.56
Renewable Energy Consumption(%)	8.13	8.94	11.12	13.89	NA	NA	NA
CO2 emissions (metric tons per capita)	8.74	8.48	7.77	7.55	NA	NA	NA
Patents Applicants, residents	628	698	728	721	628	698	NA

**Source:** BRICS(2014), WB(2015) IMF(2015), WB(2015), OECD(2014), European Commission(2015), UN(2015), HDR(2014) Eurostat.

In fact, as we can observe some historical facts and based on the information Table 1 and other information, the Greek crisis is deepened after 2008 and is characterized by:

- a strong decrease of GDP between 2008 to 2013 in more than 25%;
- a general government debt increase from 117.4% of GDP in 2008 to 178.2

in 2014;

- an Unemployment of 7.8 in 2008 and 26.5 in 2014;
- a high inflation in 2008 and 2009 and deflation in the last two years, 2013 and 2014;
- a decrease in investments in almost every year in the soma more than 75% of decrease;
- Rating Agencies fell from A+ to Caa1 for Moody's, A to B3 for S&P and A to B2 for Fitch Ratings(Alpha, 2015, p.31);
- a process of external accounts deterioration linked to the international business environment post 2008 crisis;
- Impact in partner countries of Greece. The crisis has hit all countries somehow. However, Europe, USA and Japan were severally affected while the BRICS countries and other developing countries presented significant growth rates;
- a decline in terms of value added in almost every sectors of economy, while agriculture and tourism in some years had presented slightly better results;
- a lost of well-being. However, Human Development Index (HDI) for the country is defined as high development.
- a worsening in poverty gap indicators, risk of poverty and social inequality;
- a fell of per capita income;
- a social spending kept relatively stable at the same 2008 levels softened some of the effects of crisis.
- an austerity planned affecting rights of parcels of population. Worse conditions in health, pensions, retirement and wage paid for public servants;
- a drop in confidence and tough negotiations with lenders and external authorities;
- an increased in efficiency by consuming renewable sources of energy and drop in carbon emissions;
- stable number of innovations, in spite of budget drop.

In a very general analysis, we have the thematic focus: crises in capitalism. Problem: The Greek crisis. Actor: Greek Government. Critical nodes are the arguments that include a practical action center of an actor or actors, high degree of impact on descriptors and are politically opportune to act. In the analysis were divided governance spaces and without governance and actors out the game. In the analysis the context, we have rules(R), accumulations (A) are the assets that the players have and flows (F) are equivalent to the moves. We define the set of phrases that make up the problem in the descriptors (D). The consequences are outlined in the flowchart below. In principle, we identify critical nodes at the itens A1, A3, A4, and F3. The basic consequences are new elections, reset of social



priorities, launch of new reforms and talks with Creditors to be continued.

		<b>Causes</b>			<b>Results</b>
		<b>Space Rules(R)</b>	<b>Accumulations(A)</b>	<b>Flow(F)</b>	<b>Descriptors(D)</b>
<b>I. Space of Governability</b>		<p><b>R:</b>The international crisis increases the scarcity of resources to invest in growth, to fight against poverty and inequalities and simultaneously, creates difficulties to pay creditors in the harsh conditions imposed.</p>	<p><b>A1:</b> Government was not prepared to face the international crisis and cannot carry out reforms</p> <p><b>A2:</b> Government seeks new financial rescues in expectation of improvements in the economy</p> <p><b>A3:</b>Negative social effects of crisis worsens</p> <p><b>A4:</b> In depression, both government and private sector have difficulties in maintaining investments</p>	<p><b>F1:</b> Slow down in reforms and political impasses negatively affects expectations of the economy</p> <p><b>F2:</b>Improvements do not occur in economy and negotiations become difficult for new bailouts</p> <p><b>F3:</b> Government opted to maintain certain political agreements and attempt to minimize some negative social effects, but accepted partly conditions of creditors</p> <p><b>F4:</b> Bad News and difficulties imposed by international lenders adversely affects expectations</p>	<p><b>D1:</b> Decrease in growth rates</p> <p><b>D2:</b> External debt rises increasing risk of Greece exit of the euro zone</p> <p><b>D3:</b> Increases social conflicts on possible reforms and issues of payment of foreign debt, costs, results etc.</p> <p><b>D4:</b> Fall in investments and rising unemployment and protests.</p>
<b>II. Out of Space of Governability</b>		<p><b>R:</b> Crisis of 2008 affects strongly the Greek economy</p>	<p><b>A:</b> Crisis depresses foreign investment in Greece and partially limits economic activities such as tourism.</p>	<p><b>F:</b> International media Consensus and bad news about the Greek crisis worsen conditions</p>	<p><b>D:</b> Fall in the growth of BRIC countries, European countries and changes in US interest rates increase uncertainties.</p>

### III. Out of Game

**Critical nodes: A1, A3, A4, F3.**

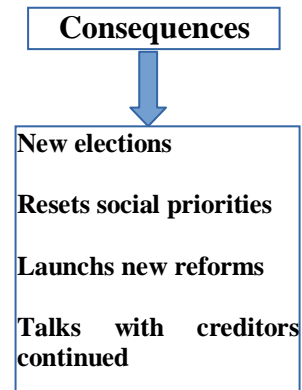


Figure 1 (Flowchart): Situation Analysis of the Greek Debt Crisis

**Source:** The author's own elaboration.

Other important aspect is how public opinion and key actors are seen the Greek Crisis. There are different perspectives about the nature of crisis of Greece among actors. As observed by Matus, actors may have different views of a given problem. In fact, in SSP is necessary understand these divergences and listen to the actors. However, for the purpose of this work we thought about some possible perspectives without assessments or personal interviews as it is no our goal. Some of the probable explanations of the actors about the crisis are described below (here also agents, social groups etc.):

- As a result of the effects of the international crisis of 2008;
- As a result of intrusion of bankers, capitalists and international bureaucrats seeking exorbitant profits on the work of the Greek people;
- Solution imposed by an international capitalist consensus that unites bankers, rentiers, world elites, media, brokers and speculators in general;
- Another one of the contradictions of capitalism;
- Lack of government over the years that made social policies providing extensive social rights without counterparts in terms of productivity, capacity of payment and financing conditions;
- As a result of being in the euro zone and its restrictions on economic stimulus, despite its possible benefits;
- As a result of lack of alternatives and profile of the economy;
- As a result of difficult political consensus of Greek society around the theme on the effects that austerity is bringing;
- Due to the restrictions of debt situation and possible dynamics of payment;
- Because of irreducibility and insensitivity of some lenders countries and international organizations.

According to IMF(2015), the total Greece Debt is 323 billions of euros. Parcels of lenders in billions of euros is: 32 IMF(9.91%), 20 ECB(6.19%), 25 Spain(7.74%), 37 Italy(11.5%), 42 France(13%), 56 Germany(17.5%), 34 Other Eurozone Countries(10.5%), 4.3 Bank of Greece(1.33%), 2.4 Foreign Banks(0.74%), 11 Greek Banks(3.41%), 48 Bonds(15.1%), 10.5 other loans(3.25%).

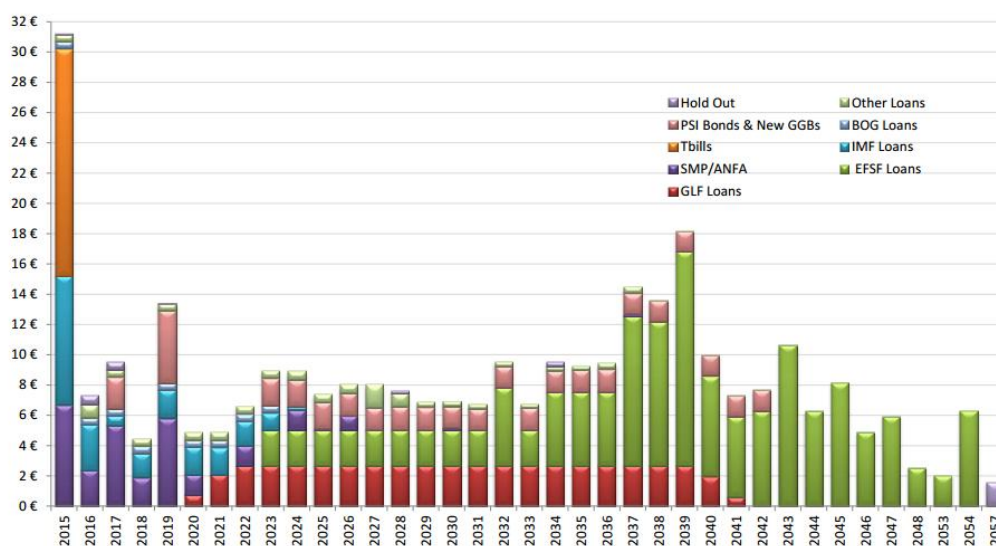


Figure 2: Debt Profile of Greece - Maturity (2015-2057)

Source: Alpha Bank (2015).

In addition, apart from the issues directly related to the Greek debt post 2008 crisis, according to McKinsey & Company (2011) there are Barriers to Productivity and Growth:

- Fragmentation and small scale of businesses across sectors;
- Over-regulations of markets and professions;
- Complex and restrictive licensing and operating processes;
- Lack of integrated and systematic zoning and real estate planning;
- Highly complex and volatile tax framework creating scale disincentives;
- Large, expensive public sector with low quality outputs;
- Very low efficiency driven by highly fragmented and overlapping tasks;
- Lack of mechanism to inject market-sourced management & technical talent;
- Low performance clarity and accountability;
- Limited use of double entry system;
- Low employment participations of youth and female;
- Limited flexibility(e.g., part-time, mobility) and employment turnover;

- Binding and inflexible collective agreement framework;
- Over- abundance of laws, sometimes conflicting and with unclear applicability;
- Heavy administrative burden in courts resulting to long lead times;
- Extensive tax-evasion; detection and collection reforms still emerging;

Even with many uncertainties about Greece and the problems pointed out some forecasts were made by academics, consultants, banks etc. We present some baseline projections about the performance of the Greek economic growth over the next few years done at different times as shown in Table 2. However, some observations are required. Due to volatility, Greece is one of the toughest countries for forecasting. As we can see in the Table 2, there are a strong range of divergent forecasts made by prestigious institutions and academics.

Table 2: GDP Growth baseline forecasts for next years (%)

	2015	2016	2017	2018	2019	2020
<b>MF</b>	2.5	3.7	NA	NA	NA	NA
<b>PWC</b>	-1.1	-2.5	2.5	2.5	2.5	2.5
<b>EC</b>	0.5	2.9	NA	NA	NA	NA
<b>E&amp;Y</b>	1.4	1.9	2.1	2.4	NA	NA
<b>Roubini</b>	0.4	0.8	1.1	1.6	2	2.2
<b>KEPE(avg)</b>	2.53	2.53	2.53	2.53	2.53	2.53
<b>Citigroup</b>	-0.4	1.1	1.4	1.3	NA	NA
<b>Economist IU</b>	0.8	2.6	2.4	NA	NA	NA
<b>Tisionas, Petrakis and Kostis</b>	2.1	3.7	3.1	2.5	2.6	2.6

**Source:** Tisionas, Petrakis and Kostis in Panagiotis E. Petrakis (2014), PWC (2015).

The art of government is also a choice between the issues or problems that will receive special treatment. It is clear that the problem of external debt and the austerity plans imposed on the population and the structural changes are the key challenges and problems that the Greek government will face.

## 2.2 Dilemmas Greeks and Concrete Possibilities

First, we must examine some issues. The first question is whether a new government in Greece would be able to carry forward a socialist program or liberal to the extreme (or radical) efficiently or according to the population democratic choice in the short and medium term?

The answer is no in both cases. In the first case, in principle, there is no room for a radical socialist program potentially successful in the current political context

besides the public deficit, general economic conditions and expectations of the Greek population after years of belonging the area of euro. However, in the extreme case, by failing to carry out a rescue deal with lenders this is a real option on the table. In the long run, is possible a radical socialist program especially considering the conditions of the current world economy and the history of capitalism and the unpredictability of much of the consequences that a new global crisis would entail. At the same time, the new victory of Syriza, a leftist government with similar political force than in the last election and with agreed austerity reforms indicates that the population does not want radical decisions that could jeopardize the country's stability in the short and medium term, nor his exit Eurozone. It is a signal that they believe in the possibility of negotiated exits with the foreign creditors and a possible resumption of economic growth after years of decline.

Also a radical liberal program (as neoliberal) has no political or social space because it could put in risk some social advances even with eventual growth that could lead. Much of the proposed measures by international organizations and international consulting firms despite of bring potentially gains in the short and medium term in terms of growth for Greece at same time could mean losses in some of the gains and social rights obtained over the last decades. It takes well to assess what liberal measure could actually be beneficial for the Greek people. However, some moderate measures are underway as part of government austerity plans and others measures will take place in the context of reforms. For some these measures are not moderates in the context of austerity plans.

Again, it is necessary to point out that it is not any liberalizing measure that will benefit the country. For example, BRICS countries, many Asian countries and other lower wage regions are more suitable for production scale for foreign capital. This strategy would be very bad for Greece. At the same time, the Greek export profile does not indicate possible element for an exit strategy from the euro zone and become an "exporter with undervalued exchange rate," for example. Still, if Greece leave the euro zone would have strong increase in exports due to this devaluation. However, it would bring domestic inflation and loss of well-being of the general population. What could happen is some flexibility in the sense of what Germany did something to be deeply studied in relation to the Greek context of austerity given that Germany has large social programs and Greece does not have conditions now to do the same. Even this easing of Germany in the case of "mini jobs" for example is criticized in the European context. Radical liberal programs can within the limits lead to loss of social gains, increasing inequality and poverty without necessarily lead to economic growth so that it can be sufficiently beneficial if it is not sustained for a relatively long period of at least five years, for example.

The second question is whether do not pay foreign debt and exit the Eurozone

would be more advantageous or would be more advantageous negotiate other terms in the medium and long term? The answer to the question depends on various points, but the initial basic answer: is not a good option. Renegotiate the terms of boundary conditions is the best strategy. The option of a possible default has been compared with the case of Argentina by some prominent economists who have argued that this could lead Greece to growth and redefinition of its debt.

However, this comparison is complex and inadequate in our view. First, there is a fundamental difference between these two countries with expressive cultures, history and economy. Greece has a strong currency, the euro, with emissions pegged to a currency area to which it belongs within certain degrees of freedom and agreed macroeconomic limits. Argentina pegged its currency to other strong currency, the dollar. Nevertheless, with emissions centered in other country, a different history obviously. Argentina entered in a recession and then choose to not pay debts under creditors conditions. After this, Argentina managed to grow up at high rates subsequent to 2002, something natural to a country like Argentina rich in natural resources for export, big population and linked to growth of countries like Brazil and China during the commodities boom. But, high inflation, difficulties to come back to sovereign markets and social problems help to build a first picture.

If Greece exits the euro zone, for example, could export much more because of the undervalued exchange with the return of the Drachma and get high rates of growth for a period. However, its inflation would rise. A fall in the well-being would lead to a political conflict even worse than the present with the population. The euro allows Greece to remain with relatively stable prices and purchasing power, generally speaking. Although its macroeconomic policy has lower degrees of freedom within the Eurozone. However, the risks of being outside the Eurozone brings some disadvantages to the country and uncertainties. We don't know if such potential growth is great enough considering so many unstable variables. Exit of Eurozone does not look a very good option because change a delineated way (The Greek Context), complex, for another equally complex but more unstable and with no clear gains overall in the end does not sounds good at this point.

The best options are negotiate a rescue in better conditions in terms of rates, time etc. Promoting reforms and fighting against fiscal evasion. Do not accept pressures for excessive concessions to politicians, groups or international creditors, while the poverty rates increases. The debt pay must be negotiable having in mind that the country will pay just if there is growth and proportionally to its capacity. Some liberal policies in some sectors can help since it do not compromise social policies. The excesses of largesse and concessions without productive counterparts should restricted even to political allies or pressure groups.

### **3 Normative and Strategic Moments**

In this section, we analyze probable Scenarios and create basic plans in order to bring insights to the rulers for a better understanding and resolution of the Greek Crisis. Feasibility Analysis is also presented. The construction of scenarios necessarily involves a perspective of resolution of the Greek crisis. In fact, even if Greece get 86 billion euros from international creditors and drive the austerity plans the question will not be entirely solved. The profile of Greek debt and potential rate of growth of GDP outlined will let options to future negotiations in the long-term as described below in our Scenarios.

#### **3.1 Optimistic Scenario**

In the medium and long-term Greece presents a successful economic growth and distribution of its benefits. The country pay what can pay avoiding worst social effects of a possible not paying foreign debts. Manage to keep social benefits gained over the last decades. The country does a balanced and effective structural reform. In this gradual reform, the new government does not accept new political concessions of clientelist nature to internal groups or excesses austerity to creditors and authorities linked to creditor countries in general. The short-term political, economic and social tensions remain on the horizon.

The country enter into recession or close to zero growth in 2015, presents some growth in 2016, and resumes a path of sustainable growth in the three years following 2016. Stable inflation and relative fall in unemployment by 2018 on the horizon. Small decline in external debt after re-negotiations of terms, deadlines, rates etc.

Social policy of the country manages to maintain until 2016 the same levels of social spending on average carried out after 2008 and increases slightly and gradually after 2017 minimizing any process of deteriorating living conditions that occurred in last years.

In domestic policy, the Syriza maintains alliance with the Independent Greeks (ANEL) and expands explicit or implicit alliances with some of the forces of To Potami. This means expanding the possibility of being able to implement deeper reforms and ensuring governance.

In foreign policy, conducts rescue with creditors, it remains in the euro zone and can renegotiate the debt with more favorable conditions in terms of rates, terms, less restrictive clauses. It helps to reverse expectations regarding the Greek economy with the condition of paying debt installments only if there is economic growth or a similar setting. With the momentary relief, the country invests part of this in infrastructure projects and sectoral strategic plans focused in results in

exports, jobs and taxes. The country promotes the expansion of external energy suppliers and also streamlines your own cleaner energy matrix and conducts a more active trade diplomacy. At the same time tries to minimize conflicts with key countries in the euro zone, Asian countries and the Middle East. Approximations with Russia in energetic issues.

At the World scenario, China economic growth at a slower pace has limited direct impact on the Greek economy. The US raises interest rates for a short period of time and then return to decline by 2016. Other important countries in the G20, BRICS, the euro zone and direct partners of Greece show significant rates of growth bringing positive results to exports of the country, tourism and foreign investments.

### **3.2 Baseline Scenario**

The country in the medium and long term is able to pay the maximum the possible its foreign debt, but in the limits of extreme negative social effects in short and medium term as a result of economic austerity generating internal political instability. However, avoids suffer the worst consequences of exit from the euro zone in the long run. An eventual exit of Greece is bad for the European continental geopolitical and geo economic project. In the short term, tensions remain with Troika. However, the Greek government will adjust minimal terms of foreign debt with ECB, IMF and EC.

In economics, negotiations of additional bailout funds and debt relief should be done without forget the goal of get better payment rates and terms. Recession in the short term and unimpressive growth by 2016. There is small deepening of unemployment in 2015 and 2016 with a marginal improving until 2020.

The social policy will have worsening of indicators in the short term, though not come to compromise the gains made over the years. Indicators stable. However, the increase of homeless, risk of poverty and inequalities will be themes for formulation of policies.

In domestic policy, Syriza reissues union with Independent Greeks (ANEL). It is enough to keep majority in parliament. However, government will not be successful in attract other forces to alliances and no risk of disagreements on some critical issues, mainly related to social reforms and market reforms. However, this does not compromise governance.

In foreign policy, despite difficulties in the negotiations with the Troika, negotiations can be a little better than in the start. Search business partnerships and expand sources of energy supply will take place.

On World Scenario, China grows less than anticipated and affects the global. US



economy increases interest rates for longer than a year creating problems for global recovery. European countries continue to show low growth. G20 countries show growth rates lower than expected.

### **3.3 Pessimistic Scenario**

In a pessimistic scenario in the medium and long term, the country carries out a radical rupture of relations with creditors with relief of not pay the debt in the short term. Greece gets out of Eurozone but there are negative effects at least in about five years. However, the country still chooses the maintenance of negotiations in order to force new debt rescheduling by the lenders with negative impacts in the short term and possible benefits in the medium and long run in case of a new agreement achieved. In the short term, takes place a deep social crisis.

In economics, political and economic instability, expressive inflation and strong drop in investor expectations leads the country to depressive levels. This leads the country to focus in exports fueling growth. However, the low level of export diversification brings problems to such strategy. Government launches programs to improve exporters sectors, tourism and key internal sectors. Credit costs increase as Greece has not anymore a strong currency and high inflation takes place provoking popular revolts.

In social sphere, the country presents strong worsening in the short-term indicators with rising unemployment, social inequalities and poverty.

In domestic policy cannot have support of To Potami. Negotiation worsening with the opposition. The government loses part of himself (Syriza) and Independent Greeks (ANEL). It leads to serious governance problems for two years until they reach a minimum agreement on the necessary reforms. In two years, there are new elections, plebiscites and strikes.

In foreign policy, the country does not achieves an agreement with creditors. Troika, sovereign markets, international capitalists and media keep putting pressure on Greece. At the same time, the country not expands full commercial partnerships because of crisis. Strategic approximation with Russia takes place.

On World Scenario, China grows much less than expected and the US increases interest rates for a long time. Recession in European countries and BRICs countries do not show significant growth. All affecting the Greek economy directly or indirectly.

## **4 Elements for strategic solutions for the new Government of Greece to overcome the crisis**

The quality of a planning will be measured, above all, due to the selection of the problems to face. In this sense, governments can be classified as:

- **Disorganized.** Are governments that do not select the problems to be solved and end up being chosen by the problems when they arise. The government must "put out the fire" as if it were "Fireman";
- **Administrative.** Are governments that are continuing to face problems already chosen with the rules maintained;
- **Transformation.** Innovative governments choosing issues to be faced in the sense to promote structural change in society.

We believe that the Greek government has struggled for a better solution and the government is something between Administrative and Transformative. However, it is necessary to improve and take steps to resolve the crisis; one important measure is forming a techno political team as Matus taught us. Considering the essence of this paper, "The Greek Crisis", we are concerned with the management of crisis. Matus has something to say in this regard. In crisis management, Matus says there are four essential elements (Cited in Giacomini, 2011):

- The specialized ability to manage the crisis and the existence of experienced teams to deal with such events;
- Information systems and capabilities of monitoring the progress of the crisis;
- Capabilities in terms of Logistics and infrastructure to support the management of the crisis;
- The crisis management techniques.

In addition, we present general measures that can help Greece to improve their economic and social performance. Some of the measures are based on concrete studies on the Greek sectoral reality, as a consultancy study McKinsey(2011). We create a tool to analyze feasibility of reforms expressing difficulties to put in practice in the short, medium and long term. We chose because of the limits of space by introducing them by reform groups with related topics.

The analysis considers a general perception of such conflicts of interest based on the different speeches given in section 2.1, the time to put into practice each measure and the situation in which the actors are right now. All measures present some level of conflict of interests between actors and agents in Greece or internationally. Some of these conflicts are economical, political, social, different views on the nature of the problem and how to fix it etc. The feasibility of

measures is represented by X – short run, Y – Medium run and Z - Long run in a rising 1 to 5 scale for Scenarios A - Optimistic, B – Baseline and C – Pessimistic. The most feasible is the 5.

Table 3: Group of basic measures, objectives and strategic options to overcome the crisis - Feasibility and difficulty to put in practice

Indicative group of basic measures, objectives and Strategic options	Feasibility of measures in the X – short run, Y – Medium run and Z - Long run in a rising 1 to 5 scale for Scenarios A - Optimistic, B – Baseline and C – Pessimistic.
Negotiate cutting of the debt, between 20% and 50%.	XA(3)YA(4)ZA(3) XB(2)YB(3)ZB(2) XC(1)YC(2)ZC(1)
Extend payment deadlines.	XA(4)YA(4)ZA(3) XB(3)YB(4)ZB(3) XC(2)YC(3)ZC(3)
Improve payment terms through study of legal clauses choosing the best rates and terms.	XA(4)YA(4)ZA(4) XB(3)YB(4)ZB(4) XC(2)YC(3)ZC(4)
Negotiate conditions of payments: pay only when there is economic growth in the country!	XA(3)YA(3)ZA(2) XB(3)YB(1)ZB(2) XC(1)YC(1)ZC(2)
Diversification of creditors.	XA(1)YA(2)ZA(4) XB(1)YB(2)ZB(2) XC(1)YC(2)ZC(1)
Invest in infrastructure and focus on key economic sectors, without losing sight of new opportunities for the country in new sectors. Prioritize reforms to attract investment, increase in employment, production, and economic growth without worsening social conditions of the people, but effectively removing whatever privilege meaningless or unsustainable for society. Simplify licensing processes. Revisit framework for investments using proven Athens 2004 Olympic practices.	XA(3)YA(3)ZA(2) XB(2)YB(3)ZB(2) XC(1)YC(2)ZC(1)
Inject investment and liquidity funds into the private sector with a common intra-banking underwriting platform and low cost funding liquidity to private sector companies. Re- prioritize public investments and rapidly launch growth relevant PPPs.	XA(2)YA(3)ZA(4) XB(1)YB(2)ZB(3) XC(1)YC(2)ZC(2)

Introduce a techno political group close to Prime Minister. Create a government Unit to coordinating, facilitating and monitoring the implementations of growth reforms. Create supervision and management mechanisms to avoid leakage of resources according to corrupt practices or mismanagement. Establish a Central Procurement Unit to define procurement strategy, monitor procurement practices across state entities and procure major common categories. Consolidate all state entities IT architecture design and strategic management into a Central IT unit. Accelerate decision making in Council of State and earlier degree courts. Consolidate all internal auditing functions of core public sector (e.g., tax, licensing etc.) into a Central State Auditing State unit. Improve communication regarding measures to be taken to minimize noise. Establish a financial reporting consolidations system to monitor and manage performance centrally.

XA(4)YA(5)ZA(5)  
XB(3)YB(4)ZB(5)  
XC(2)YC(3)ZC(5)

Launch dedicated projects to investigate possible informality in different fields of economic activity (e.g., un-declared labor, illegal imports, unreported gaming). Further, optimize tax evasion counter measures leveraging international practices in detections, segmentation, and contact/collection.

XA(3)YA(4)ZA(4)  
XB(2)YB(3)ZB(4)  
XC(2)YC(3)ZC(3)

Create some grade of flexibility and efficiency-related labor reforms. Enforce unified compensations scheme across the public sector. Broaden part-time employment (public/private sector). Launch program to incentive and facilitate youth and female participation's (e.g., social security, support for working mothers etc.). Consolidate employment databases and develop a national employment communications portal. Create a central public sector employment coordination function to manage supply/demand. Launch a labor re- skilling/specializations program. Develop and effective and transparent mechanism to recruit local and international market-sourced talent for contract based deployment into pivotal technical and-or managerial positions in the public sector, pre - define allowance/limits for state entities.

XA(2)YA(3)ZA(3)  
XB(1)YB(2)ZB(2)  
XC(1)YC(1)ZC(2)

Improve environmental energy efficiency and use of resources. Revise the environmental and zoning framework to better balance growth and environmental priorities. Search bilateral strategic partnerships with countries seeking to minimize energy costs, raw materials etc. Energy: Improving energy efficiency. Boosting productivity. Optimizing the energy mix. Increasing "extroversion" and participation in the sector's value chain.

XA(2)YA(3)ZA(4)  
XB(2)YB(3)ZB(3)  
XC(2)YC(3)ZC(2)

Re-design the University-Business R&D and patenting framework to promote innovation and entrepreneurship. Introduce sector output specific incentives for investments and extroversion (e.g., manufacturing capacity locally and abroad, technology, R&D). Revamp technical, undergraduate and graduate education. Upgrade technical school curriculum to better reflect modern academical and professional requirements. Introduce university program in highly relevant areas (e.g., tourism, crops agricultural and aquaculture production). Introduce obligatory internships in the penultimate year and establish links (e.g., exchange programs) with international universities.

XA(2)YA(3)ZA(4)  
XB(2)YB(2)ZB(2)  
XC(1)YC(2)ZC(2)

Tourism: Re-defining and re-focusing Greece's commercial strategy. XA(2)YA(3)ZA(4)  
 Developing quality infrastructure while accelerating investments. XB(2)YB(2)ZB(3)  
 Facilitating access and transportation. Revamping Greece's Tourism XC(1)YC(2)ZC(3)  
 capabilities and know-how.

Manufacturing – Food. Prioritizing target export markets. Step-improving XA(2)YA(3)ZA(3)  
 product value proposition and innovations. Increasing Greece's processing XB(2)YB(2)ZB(3)  
 capability and efficiency. Securing strong commercial access to priority XC(1)YC(2)ZC(2)  
 target markets. Agriculture – Crops Agriculture: Differentiating and  
 focusing Greece's product and market strategy. Improving competitiveness  
 through scale, productivity and quality. Securing international market access  
 and presence. Revamping capabilities.

Retail and wholesale: Format mix. Operating model. Upstream value chain. XA(2)YA(3)ZA(3)  
 Market competition. Further reinforcing competitions, investment and XB(1)YB(2)ZB(3)  
 regulatory compliance. Boosting retailer and wholesaler productivity. XC(1)YC(1)ZC(3)

Others markets in expansion in Greece: Manufacturing of generics XA(3)YA(4)ZA(5)  
 pharmaceuticals, Aquaculture, Medical Tourism(mainly outpatient), Elderly XB(2)YB(3)ZB(4)  
 care, Regional cargo hub, Waste management, Specialized Food Categories, XC(2)YC(2)ZC(3)  
 Graduated/postgraduate Classics education, Pharmaceuticals/medical  
 research/clinical trials, Mobile health diagnostics, Outsourcing hub(e.g.  
 Software, engineering).

**Source:** The author's own elaboration. Some of measures considered are referred at McKinsey Study (2011).

This indicative table shows some of the initial elements of possible changes that the Greek government could consider in tackling the crisis. Some are on the horizon of the government and its plans already. We not dealt with more specific considerations of tactics here. Is necessary to note that the feasibility of proposals of the table 3 can vary a lot due to political, economic and social context, but some basic tips are possible to be inferred from the scenarios shown in the section 3 and the reality of the country and its challenges described along the article.

## Remarks

We presented an overview of the Greek situation and strategic ways in which one of the most traditional countries in the world could establish positive elements from the crisis through planned and coordinated action by the government, institutions and population.

We discussed possible strategic solutions for the Greek crisis outlined in recent years using a hybrid method of analysis to propose solutions based on Situational Strategic Planning (SSP) and the development of specific analytical tools for the case of Greece. We divided in the explanations moment and normative-strategic

moment and our objective does not deal with tactical operational plans.

In the explanation moment in the section 2 we showed the synthesis of problems, causes, consequences. By the Figure1 (Flowchart of Situation analysis of Greek Crisis) are delimited some of the more simple and clear reasons of the crisis. Some of problems delimited were: Decrease in growth rates; External debt rises increasing risk of Greece exit of the euro zone; Increases social conflicts on possible reforms and issues of payment of foreign debt, costs, results etc; Fall in investments and rising unemployment and protests. These basic elements are related to the international crisis increases the scarcity of resources to invest in growth, to fight against poverty and inequalities and simultaneously, creates difficulties to pay creditors in the harsh conditions imposed. At same time, the Government was not prepared to face the international crisis and could not carry out key reforms. Government seeks new financial rescues in expectation of improvements in the economy. Slowdown in reforms and political impasses negatively affects expectations of the economy. Improvements do not occur in economy and negotiations become difficult for new bailouts. Government opted to maintain certain political agreements and attempt to minimize some negative social effects, but accepted partly conditions of creditors. Bad News and difficulties imposed by international lenders adversely affects expectations. Negative social effects of crisis worsens. In depression, both government and private sector have difficulties in maintaining investments.

Crisis of 2008 affects strongly the Greek economy, depresses foreign investment in Greece, and partially limits economic activities such as tourism. A dangerous international media Consensus and bad news about the Greek crisis worsen conditions. Fall in the growth of BRIC countries, European countries and changes in US interest rates increase uncertainties.

As number shows, In fact, the situation of Greece more the events post 2008 international crises lead the country to a strong decrease of GDP between 2008 to 2013 in more than 25% and a general government debt increase from 117.4% of GDP in 2008 to 178.2 in 2014. However, human development index for the country is defined as high development and some social spending kept relatively stable, many key indicators presented bad numbers: Unemployment, high inflation, decrease in investments, a process of external accounts deterioration linked to the international business environment post 2008 crisis a lost of well-being. A worsening in poverty gap indicators, risk of poverty and social inequality. Austerity planned affecting rights of parcels of population what means worse conditions in health, pensions, retirement and wage paid for public servants. Although, there was an increased in efficiency by consuming renewable sources of energy and drop in carbon emissions.

In spite of some divergent views between academics and specialists and strong

criticisms about performance of Greece in the last years, we believe in possibilities of feasible solutions for the key problems of the country. In this sense, we addressed economic, social and political aspects on internal and external context allowing the construction of scenarios, plans and design of strategic solutions at short, medium and long run. We show how one of the most traditional countries in the world could establish positive elements from the crisis.

Based on general and specific data we create three scenarios for Greece, as we perceived that forecasts are very limited considering the volatility of Greek Economy in the last years. This was our contribution to reflection on possible Scenarios and Strategic Options to Overcome the Current Crisis in Greece.

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