



In Focus

Greek Referendum on EU, ECB and IMF Bailout Proposals 5 July 2015

Overview

On 5 July 2015, the Greek people voted in a referendum on whether to accept the terms of a bailout package offered by the European Commission, European Central Bank (ECB) and the International Monetary Fund (IMF)—the so-called ‘Troika’ of international lenders. The Greek Prime Minister, Alexis Tsipras, leader of the left-wing Syriza party, campaigned for a ‘no’ vote, [arguing that](#) this would put the country on a better footing to negotiate more favourable terms with Greece’s creditors. The President of the Eurogroup of eurozone finance ministers, Jeroen Dijsselbloem, has said that a no vote could lead to Greece [leaving the Eurozone](#). On a turnout of 62.5 percent, [61.3 percent voted to reject the proposed deal](#), while 38.7 percent voted in favour. A ‘no’ result was returned in each of Greece’s 56 electoral districts.

The Greek Economic Crisis

Since the 2008 world economic crisis, Greece’s economy has shrunk dramatically, with [GDP growth](#) slumping to a low of -8.9 percent in 2011. The [unemployment rate](#) in the first quarter of 2015 stood at 25.8 percent. [Greek government debt](#) in 2014 was 177.1 percent of GDP. Of the Eurozone countries to which Greece owes money after previous bailout deals, the [largest share of the debt](#)—€57.23 billion—is owned by Germany. Greece has already defaulted on a repayment of [€1.5 billion](#) to the IMF on 30 June 2015, the first default by a developed country in the fund’s history. An [ECB deadline](#) for the repayment of €3.5 billion in bond debt will expire on 20 July 2015.

The Referendum Question

On 25 June 2015, during negotiations with the Greek government on a new bailout plan, the European Commission, the ECB and the IMF presented [draft proposals](#) which would have led to a potential €15.5 billion of funding. This would have been Greece’s third bailout package, following those agreed to in 2010 and 2012. On the day of the publication of the proposals, the Greek Prime Minister, Alexis Tsipras, left negotiations and announced that this package would be put to the Greek people in a referendum. The question in the referendum ballot, [translated into English](#), was:

Should the proposal that was submitted by the European Commission, the European Central Bank, and the International Monetary Fund at the Eurogroup of 25 June 2015, which consists of two parts that together constitute their comprehensive proposal, be accepted? The first

document is titled [Reforms for the Completion of the Current Programme and Beyond](#) and the second [Preliminary Debt Sustainability Analysis](#).

Subsequent to the announcement of the referendum, the President of the European Commission, Jean-Claude Juncker, [stated](#) that the documents published on 25 June 2015 did not represent the final offer to the Greek Government had negotiations continued. Given his view that the referendum question did not reflect the deal that was in fact on the negotiating table, Mr Juncker argued that Greece, in the referendum, should “vote ‘yes’, independently of the question asked”. On 1 July 2015, Alexis Tsipras [described](#) the issue of the referendum as being whether to accept the “ultimatum” presented to Greece in the negotiations, and stated that it was an opportunity for Greece to reject further austerity policies.

What Happens Next

After the referendum result, Greece faces the immediate problem of a banking crisis. The Greek Government announced that banks and the Greek stock market would [remain closed](#) until the end of 8 July 2015. The Greek economy minister, Giorgos Stathakis, [told](#) the BBC that the ECB needed to provide increased liquidity for Greek banks while the negotiations for a new bailout took place. On 6 July 2015, the ECB announced that, while [Emergency Liquidity Assistance](#) would continue, that it would [increase the amount of collateral](#) individual banks must provide to the country’s central bank to receive emergency loans.

The Greek Prime Minister meets with his European counterparts in Brussels on 7 July 2015 to discuss his Government’s proposals for a new bailout deal. He will be joined by the new finance minister, Euclid Tsakalotos, following [the resignation](#) of the previous incumbent, Yanis Varoufakis, on 6 July 2015. Prior to this meeting, the French President, François Hollande, and the German Chancellor, Angela Merkel, held a [joint press conference](#) in Paris in which Mr Hollande [said](#) that “the doors were open” to the Greek Government for further negotiation. Ahead of the meeting of finance ministers of the Eurozone countries also taking place on 7 July 2015, the [Eurogroup](#) President, Jeroen Dijsselbloem, [described](#) the referendum result as “very regrettable for the future of Greece”, and said that the European Commission would now “wait for the initiatives of the Greek authorities”.

Further Information

- House of Commons Library, [Greek Debt Crisis: Background and Developments in 2015](#), 6 July 2015, SN07114
- House of Commons Library, [Greece’s New Anti-Austerity Coalition](#), 28 January 2015, SN07076
- OECD, [Economic Policy Reforms 2015: Going For Growth](#), 2015, pp 199–202.

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