
**Greek-German Relations
in times of Crisis**

George Tzogopoulos

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Executive Summary

This essay focuses on Greek-German relations with emphasis on the period of the SY.RIZ.A-Independent Greeks governments in 2015. In particular, it attempts to outline the political dimension of negotiations between Athens and Berlin at the EU level and explore mistakes and opportunities in the bilateral relationship. The essay starts with a brief analysis of the scapegoating tactics employed by Greek and German politicians from the outbreak of the Greek crisis in October 2009 until the Greek twin elections of 2012 which fueled a negative climate in the media and public discourse. It also deals with the period of rapprochement following the formation of the New Democracy – PA.SO.K and Democratic Left government in June 2012 and explains the reasons the credibility deficit was then relatively restored.

Having already presented the anti-German pre-election rhetoric of the SY.RI.ZA party, the essay then covers the dramatic discussions leading to the Agreement of 12 July 2015 during which the new Greek government failed to change the German and European approaches of the crisis and landed into reality in an anomalous way. In this part, it pays attention to the role of Finance Ministers Varoufakis and Schäuble, the impact of the Greek referendum on the personal relationship between Prime Minister Tsipras and Chancellor Merkel and potential obstacles that might cause new bilateral disagreements in the future, especially regarding the sustainability of the Greek debt. Finally, the essay brings the significant challenge of migration to the agenda of Greek-German relations and considers this issue a good opportunity for Athens and Berlin to co-operate in a constructive way in the coming years and overcome previous misunderstandings.

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Introduction

Since its outbreak in October 2009 the Greek crisis has seriously impacted on politics and economics in the country. Traditional parties governing for decades – the centre-right New Democracy and principally the centre-left PA.SO.K have paid a price for their maladministration while others such as the leftist SY.RIZ.A have started to dominate the political landscape. Additionally, Greece has lost approximately 25% of its GDP in the previous six years while it is still imprisoned in a vicious circle of recession, austerity, unemployment and depression. But the consequences of the crisis have not been only political and economic. They have also affected Greece's relations with other countries, even within the European Union. There is no better example than the deterioration of Greek-German relations.

When German Chancellor Angela Merkel visited Athens in July 2007 and met with the then Greek Prime Minister Costas Karamanlis, no one could imagine future developments. At that time, both politicians focused on the “excellent status of bilateral political relations” and their will to further co-operate.¹ The main issues on the agenda were the future of the EU, the Cyprus Question, the United Nation's role in the Balkans and climate change. In 2007 the economic performance of Greece was even praised by Merkel as the country's supposed growth was approximately 4%. The only issue before the outbreak of crisis negatively influencing the Greek-German relationship was the problematic operation of a set of submarines Athens had ordered from Berlin in 2000.² After tough negotiations on the matter and several technical services Greece started to receive them in 2010.

1. „Lösung für den Kosovo finden“, 20th July 2007, available at: <www.bundestkanzlerin.de> and Costas Karamanlis, “Angela Merkel: Excellent status of bilateral relations”, 21th July 2007, available at: <www.hri.org/news> [accessed 1st October 2015].

2. Höhler Gerd, „Der Panzer rollt, der Euro nicht“, *Tagesspiegel*, 5th January 2009, available at: <www.tagesspiegel.de> and Antoniou Dora, “This is how the Gordian knot on Papanikolis was solved”, *Kathimerini*, 26th December 2010, available at: <www.kathimerini.gr> [accessed 1st October 2015].

Stormy relations: From 2009 until 2012

The Greek national election of 4th October 2009 was the beginning of a very difficult period for Greek-German relations. The then Prime Minister George Papandreou and his PA.SO.K party managed to easily win by promising a period of prosperity to citizens. But after they realised the dramatic status of the national economy, they turned to their European allies for support. Although in the last months of 2009 the Greek government had rejected this possibility, it had no other option but to ask for financial assistance at the beginning of 2010. Within this context, the role of Germany – as the leading economic power in Europe – was catalytic for the avoidance of a Greek bankruptcy and an exit from the Eurozone.

For Greek politicians, Germany was a useful expiatory victim in their effort to explain their falsified pre-election promises and the dramatic status of the national economy.³ Having a political experience in finding scapegoats, they adopted a similar persuasion technique during the Greek crisis. In a simplistic but straightforward way, they condemned Germany for their own problems. Specifically, criticism was interwoven into two interconnected aspects. The first is Berlin's alleged delay to act pre-emptively in support of Greece in the beginning of 2010. And the second is Germany's supposed intransigence in accepting a growth plan to help the bankrupt country escape recession.⁴ Within this framework, personifications became an important feature. Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble were the figures that have been heavily stigmatised.

From the perspective of German politicians, offensive references to Greece also facilitated goals of political communication. It was certainly convenient for Berlin to attribute the crisis threatening the existence of the Eurozone to one single state. The insistence on an expiatory victim could postpone other radical policy decisions such as of the introduction of Eurobonds or a Euro-wide banking resolution system that would lead to further integration and require the transfer

3. George Tzogopoulos, "Time Running out for Greece: Blaming Germany instead of implementing Reforms", *Südosteuropa Mitteilungen*, September 2012.

4. George Tzogopoulos, „Das griechisch-deutsche Missverständnis Auswirkungen der Krise auf das Deutschland-Bild in Griechenland“, *DGAP Analyse*, September 2012, available at: <<https://dgap.org>> [accessed 1st October 2015].

of national powers to the Union.⁵ Within this framework, some German politicians endeavoured to increase their popularity by advocating against a potential financial assistance to Greece and even calling the country to sell its islands. Several German newspapers reinforced their argumentation.⁶

A misunderstanding gap started to mark Greek-German relations as a result. This misunderstanding widely penetrated public opinion in both countries. In particular, a poll organised by VPRC in February 2012 shows that 32.4% of Greeks associated Germany with Hitler, Nazism and the Third Reich and 77% agreed that the country exerts a “Fourth Reich policy”.⁷ Moreover, a survey conducted by Harris Interactive in August 2012 demonstrates that 54% of respondents in Germany did not then believe that Greece should stay in the common currency, 26% strongly agreed or somewhat agreed that Eurozone members should do more to help Greece and 74% were not confident that the country will ever repay its bailout loans.⁸

As long as the PA.SO.K government was struggling to implement the bailout terms after May 2010, the expectation of Berlin from it to achieve German standards in delivering further perplexed the bilateral relationship. Although often right in its estimation, Germany was economical in trusting Papandreou’s ability and competence to deal with tax-evasion and corruption and could not hide this stance at the public level. Following resignation of the Greek Premier, the formation of a unity Greek government – by PA.SO.K, New Democracy and Popular Orthodox rally (LA.O.S) in November 2011 was a development regarded positively. But the political instability dominating in Greece after the successful conclusion of the Private Sector Involvement (PSI) in the spring of 2012 could not facilitate a Greek-German rapprochement. The then leader of the main opposition New Democracy Antonis Samaras was in rush to come to power by promising a renegotiation of the Memorandum while the one of the leftist SY.RIZ.A Alexis Tsipras was distributing assurances in front of Greek citizens that Merkel and Schäuble would accept his radical cause.

5. *Ibid.*

6. For a detailed discussion see: George Tzogopoulos, *The Greek Crisis in the Media: Stereotyping in the International Press*, Farnham, Ashgate, 2013.

7. George Tzogopoulos, “Assessing the image of Germany in the Greek media visual analysis of Greek media reports on the role of Germany in the Greek Crisis”, *ELIAMEP Crisis Observatory Research Paper*, No 15, August 2015, available at: <<http://crisisobs.gr>> [accessed 1st October 2015].

8. *Ibid.*

After the twin elections

The deterioration of Greek-German relations from the outbreak of the crisis until the Greek twin elections of May and June 2012 found no continuity after the formation of the new coalition government of New Democracy, PA.SO.K and the Democratic Left party. Following his election, Prime Minister Antonis Samaras showed determination to abandon pre-election promises as well as the anti-Memorandum rhetoric he had employed from May 2010 until November 2011. His new attitude was positively marked in Germany which was prepared to take new initiatives to break the ice. The official visit of Samaras to Berlin on 24th August 2012 and his meeting with Merkel was the beginning of the rapprochement.⁹

The media in both Greece and Germany responded positively to the improvement of the bilateral relationship.¹⁰ The interview granted by Samaras to *Bild*,¹¹ which was published by the German tabloid two days before his visit to Berlin was characteristic. Further to this, the Greek Premier decided to personally meet with the editors of *Bild* including Kai Diekmann, Nikolaus Blome, and Paul Ronzheimer while being in the German capital.¹² As part of his political communication strategy he also gave an interview to *Süddeutsche Zeitung*.¹³ From their part, Greek media saw a change in Berlin's approach *vis-à-vis* Athens especially after Merkel's emotional reaction that "her heart bleeds".¹⁴ *Ta Nea* newspaper, for instance, published two interesting drawings of the Chancellor.¹⁵ In one of them she was holding a Greek flag dressed in Greek traditional uniform. In the other

9. Press statements by Chancellor Merkel and Prime Minister of Greece Antonis Samaras, *Bundesregierung.de*, 24th August 2012, available at: <www.bundesregierung.de> [accessed 1st October 2015].

10. George Tzogopoulos, „Schwarz-Weiß-Malerei – Stereotypen und ihre Hinterfragung im griechisch-deutschen Mediendialog“, *Bundeszentrale für politische Bildung*, 25th June 2014, available at: <www.bpb.de> [accessed 1st October 2015].

11. Paul Ronzheimer, „Die Drachme wäre eine Katastrophe für uns“, *Bild*, 22th August 2012, available at: <www.bild.de> [accessed 1st October 2015].

12. Paul Ronzheimer and Daniel Biskup, „Sie wollte ich treffen, sagte Samaras zu Bild“, *Bild*, 25th August 2012, available at: <www.bild.de> [accessed 1st October 2015].

13. Alexander Hagelüken and Christiane Schlötzer, „Die Deutschen bekommen ihr Geld zurück“, *Süddeutsche Zeitung*, 22th August 2012, available at: <www.sueddeutsche.de> [accessed 1st October 2015].

14. „Angela Merkel's heart bleeds for suffering Greeks“, *Daily Telegraph*, 17th September 2012, available at: <www.telegraph.co.uk> [accessed 1st October 2015].

15. Frontpages of *Ta Nea* on 10th September and 18th September 2012.

one, she was portrayed as crying for the Greeks. In the latter case the main editorial of *Ta Nea* was entitled: “Do it like the Chancellor”.¹⁶

The commitment of the Greek government to meet its fiscal targets and co-operate with the Troika paved the way for Merkel’s official visit to Athens on 8th October 2012.¹⁷ Being now sure about the sincere intention of the other side, Germany sought to symbolically confirm the improvement of the bilateral relationship at the highest level. Approximately one month later, Finance Minister Schäuble started to praise the Greek government for its attempt to deliver. Speaking in the German Parliament he framed – for the first time – the debate on Greece on the basis of the country’s achievements and not failures or omissions and advocated in favour of the bond buyback plan.¹⁸ The excellent level of co-operation between Schäuble and his Greek counterpart Yannis Stournaras also contributed towards a better understanding.

From November 2012 until the beginning of 2015 Greek-German political relations were running smoothly. New instruments and schemes facilitated a relatively harmonious collaboration. These include the creation of the Greek-German Assembly to promote local co-operation and of the Greek-German Fund for the Future – with a yearly budget of 1 million Euros – to finance bilateral reconciliation programmes and the study of historical data. Other examples constitute common education projects worth of 10 million Euros per year and discussions for the establishment of a Greek-German Youth Office. Moreover, the German Embassy in Greece regularly organises cultural events and exhibitions in various Greek cities. Last but not least, German Foundations affiliated with political parties such as Konrad Adenauer Stiftung and Friedrich Ebert Stiftung re-opened their offices in Greece and contribute not only to the organisation of debates of bilateral interest but also of exchange programmes between journalists, students and owners of start-ups.

Following the visit of Merkel to Athens on 8th October 2012, three significant visits of German politicians also took place during the phase of rapprochement. The first was that of Wolfgang Schäuble on 17th July 2013, the second of German President Joachim Gauck on 7th March 2014 and the third again of the Chancellor on 11th April 2014. Greece’s partial access to the markets on 9th April 2014¹⁹ as well as its return to growth in the course of the year were

16. “Do it like the Chancellor”, *Ta Nea*, 18th September 2012, available at: <www.tanea.gr/kyriothro/?aid=4752876> [accessed 1st October 2015].

17. „Deutschland möchte guter Partner sein”, *Bundesregierung.de*, 9th October 2012, available at: <www.bundesregierung.de> [accessed 1st October 2015].

18. George Tzogopoulos, “Mediating a Greek success story?”, *The London School of Economics and Political Science*, 21th May 2013, available at: <<http://blogs.lse.ac.uk/eurocrisispress/2013/05/21/mediating-a-greek-success-story/>> [accessed 1st October 2015].

19. “Greece returns to debt markets with five-year bond”, *BBC*, 9th April 2014, available at: <www.bbc.com/news/business-26955983> [accessed 1st October 2015].

achievements outlining Berlin's right in insisting on the implementation of the fiscal consolidation programme. Nevertheless, the victory of SY.RIZ.A in the European election of 25th May 2014 interrupted the satisfactory performance of the Greek government. The almost certainty that the leftist party – having a strong anti-German and anti-bailout political rhetoric – would come to power sooner or later led Athens' negotiations with the Troika to an impasse and Greek-German relations to a wait and see period for the day after. In the meanwhile, Alexis Tsipras was continuously gaining in popularity investing in a new slogan: "Go back Ms Merkel and Mr Schäuble".²⁰

20. Alexis Tsipras used this phrase in a speech he gave on the island of Mytilini on 2nd May 2014.

The SY.RIZ.A period

The victory of SY.RIZ.A in the early Greek election of 25th January 2015 and its co-operation with the right-wing Independent Greeks signaled the end of the relative improvement of Greek-German relations. The new Prime Minister Alexis Tsipras along with Independent Greeks leader Panos Kammenos had promised to bring austerity to an end and cancel the memorandum. The effort would have to pass through Germany. Their pre-election criticism on both Merkel and Schäuble was the precursor of the “battle” they were prepared to give against Berlin at the EU level to achieve better terms.

Tsipras and Kammenos were influenced – if not guided – by the approach of former Finance Minister Yanis Varoufakis. Varoufakis believed that the “Grexit” possibility could function as an efficient instrument in the negotiating strategy of the Greek government. He thought that the partners of Greece would never allow the country to leave the Euro and would therefore be prepared to make concessions. From the very first beginning, the Greek government was encountered with a serious dilemma. It either had to agree with bailout terms and ask for an extension of the current program which would expire by the end of February or become isolated and lose its access to liquidity.²¹

The first weeks of February were dramatic. Greek Finance Minister Yanis Varoufakis attempted to convince his European partners including German Finance Minister Wolfgang Schäuble and his French counterpart Michel Sapin that previous rescue packages had been unsuccessful recommending subsequently a reconsideration of the European economic policy *vis-à-vis* Greece and a relaxation of terms. But his effort did not lead any further. Schauble reminded him during a meeting they had in Berlin on 5th February that agreements have to be respected.²² On the whole, Germany was not prepared to accept changes in a financing program which had been accepted by all Eurozone parliaments and was requesting its completion as a necessary pre-requisite to discuss the possibility of a new loan.

21. George Tzogopoulos, “Greece facing hard choice over debt issue”, *Xinhua*, 6th February 2015, available at: <<http://news.xinhuanet.com>> [accessed 1st October 2015].

22. “Varoufakis-Schäuble meeting draws sharp reactions”, *Deutsche Welle*, 6th February 2015, available at: <www.dw.de> [accessed 1st October 2015].

After its meeting on 16th February 2015, the Eurogroup handed over an ultimatum to the Greek government to request an extension of the current bailout.²³ Two days later Yanis Varoufakis sent a letter “applying for the extension of the Master Financial Assistance Facility Agreement for a period of six months”.²⁴ The reaction of Germany was negative. Analysing the argumentation of Varoufakis, Schäuble’s spokesman Martin Jäger regarded the proposal as a “non substantial one” on 19th February.²⁵ In the the next dramatic hours until the Eurogroup meeting of the day after, the Greek government promised to remain committed to the country’s obligations and proposed to present its own reform ideas to be assessed by the European Central Bank (ECB), the European Commission and the International Monetary Fund (IMF). On these grounds, an agreement was reached stipulating for an extension of the program for four months – instead of six.²⁶

In the period after the Eurogroup’s decision of 20th February, progress was rather poor. The Greek government found it hard to deliver domestically because many of its members and voters were expecting a strong anti-German and anti-bailout course. Tsipras seemed to be imprisoned in a labyrinth of international obligations and domestic promises. Seeing the lack of progress and realising that the country is running out of cash, the Greek Premier sent a letter to Chancellor Merkel on 15th March 2015. In this letter, he dramatically focused on his future dilemma of being forced to either pay for salaries and pensions or for Greece’s international obligations.²⁷ He therefore asked for an understanding by the creditors of the country in safeguarding its liquidity. Five days later, on 20th March, the Presidents of the European Council, the European Commission and the Eurogroup reconfirmed their adherence to Eurogroup’s agreement of 20th February during a meeting with Premier Tsipras, Chancellor Merkel and President Hollande in Brussels.²⁸

The Greek Prime Minister endeavoured to provide a political dimension to negotiations with Greece’s creditors. In doing so and being heavily influenced by Varoufakis, he was still thinking he could persuade them to accept his cause. However, he did not manage to

23. “Greece handed ultimatum as Eurozone bailout talks collapse”, *EUBusiness*, 17th February 2015, available at: <www.eubusiness.com> [accessed 1st October 2015].

24. “TEXT-Greek request letter for bailout extension”, *Reuters*, 19th February 2015, available at: <<http://in.reuters.com>> [accessed 1st October 2015].

25. “Greece faces decisive round of finance negotiations”, *Deutsche Welle*, 20th February 2015, available at: <www.dw.de> [accessed 2nd October 2015].

26. Eurogroup Statement on Greece, 20th February 2015, available at: <www.consilium.europa.eu> [accessed 3rd October 2015].

27. Peter Spiegel, “Tsipras letter to Merkel: the annotated text”, 22th March 2015, available at: <<http://blogs.ft.com>> [accessed 3rd October 2015, subscription required].

28. Statement by the Presidents of the European Council, the Commission and the Eurogroup on Greece, 20th March 2015, available at: <<http://europa.eu>> [accessed 3rd October 2015].

escape from the rule of supervision by the Troika. Chancellor Angela Merkel focused on this critical aspect in a press conference following her conversation with the Greek Premier in Berlin on 23rd March.²⁹ All in all, the Greek government could have the “ownership of reforms” according to the afore-mentioned statement of 20th March but these reforms need to be evaluated by its creditors concerning their efficiency and fiscal impact.

As time was running and Athens could not come to an agreement with the Troika populist voices in both Greece and Germany were again gaining ground. Various Greek politicians publicly asked Berlin to pay World War II reparations and the Occupation loan. Foreign Minister Nikos Kotzias, for instance, repeated this claim during a joint news conference with his German counterpart Frank-Walter Steinmeier in Berlin.³⁰ Justice Minister Nikos Paraskevopoulos went further and threatened to seize German properties as compensation. These would include Goethe Institute, the German School in Athens and Thessaloniki and the German Archaeological School.³¹ But Premier Tsipras decided to follow the path of realism and downgrade the issue of World War II reparations saying that its dimension was principally a moral one.³²

At the communication level, the fundamental difference for Greek-German relations in the period before and after the election of 25th January 2015 is that Schäuble now decided to bring the “Grexit” scenario to the public agenda.³³ Specifically, in March 2015 he openly discussed this possibility for the first time in the course of the economic courses as he had refrained from doing so in media interviews and press conferences in the past. Schäuble’s new political communication, which was followed by other European politicians such as Commissioner Pierre Moscovici, created a new type of pressure on the Greek government. The problematic personal relationship between Schäuble and Varoufakis was an additional onus for an already suffering bilateral relationship. For some weeks both Finance Ministers embarked on a bizarre attempt to almost daily deconstruct the position of the other in separate media appearances.

29. Press conference hold by Chancellor Merkel and Prime Minister Tsipras, *Bundesregierung.de*, 23th March 2015, available at: <www.bundesregierung.de> [accessed 3rd October 2015].

30. “Kotzias rebuffed in Berlin over WWII reparations”, *Ekathimerin.com*, 10th February 2015, available at: <www.ekathimerini.com> [accessed 10th October 2015].

31. “Greece threatens to seize German property as compensation”, *BBC*, 11th March 2015, available at: <www.bbc.com> [accessed 10th October 2015].

32. Press conference held by Chancellor Merkel and Prime Minister Tsipras, 23rd March 2015.

33. „Schäuble hält Grexit-Unfall für denkbar”, *ARD Tagesschau*, 13th March 2015, available at: <www.tagesschau.de/ausland/grexit-121.html> [accessed March 2015] and „Griechenland nicht zu jedem Preis im Euro halten”, *Die Welt*, 18th March 2015, available at: <www.welt.de> [accessed March 2015].

On the way to Agreement

The weeks before the critical Euro Summit of 12 July 2015 were painful for Greek-German relations. New opinion polls conducted in both Greece and Germany were again reflecting a negative bilateral attitude. A *Public Issue* survey shows that 78% of respondents in Greece considered Germany negatively and 80% regarded interests of the two countries different.³⁴ From another perspective, the *ZDF Politbarometer* demonstrates that 70% of respondents in Germany did not want more EU concessions on Greece and 51% wanted the country to leave from the Eurozone.³⁵

The initial strategy of the Greek government had been to create an alliance of European states – mainly of the South – against Germany. This objective, however, did not yield positive results. The Riga Eurogroup of 24th April and the Riga European Summit of 21-22th May confirmed Greece's isolation in Europe as even its traditional allies such as France, Italy and Cyprus were unable to offer support to a country lacking a specific economic orientation. By contrast, Germany managed to push Greece to the sidelines seeing other states such as the Baltic countries and Finland to publicly express their disagreement and frustration. In that regard, Berlin won a communication game in which its position could be perceived as milder in comparison to that of other Eurozone members. From the very first beginning the German government knew that Tsipras' and Varoufakis' will to negotiate without having cash and time would lead nowhere. Therefore, they had expected from the Greek government to land into reality in either a normal or an anomalous way.

On 1st June, Chancellor Merkel invited the President of the European Central Bank, Mario Draghi, the General Director of the International Monetary Fund Christine Lagarde, French President François Hollande and European Commission President Jean-Claude Juncker to Berlin in order to – *inter alia* – forge a common position on Greece.³⁶ Germany showed then its will to accept lower targets for Greece's future surpluses noting the downturn of its national

34. Public Issue survey on the image of Germany, 22th February 2015, available at: <www.publicissue.gr> [accessed 5th October 2015].

35. „Mehrheit: Keine weiteren Zugeständnisse an Griechenland“, *ZDF Politbarometer*, 12th June 2015, available at: <www.heute.de> [accessed 5th October 2015].

36. „Chancen der Digitalisierung nutzen“, *Bundesregierung.de*, 2nd June 2015, available at: <www.bundesregierung.de> [accessed 5th October 2015].

economy since the end of 2014. Juncker took subsequently the initiative to present specific proposals to Athens and find a midway solution while Merkel and Tsipras were holding regular telephone conversations. From 22nd until 26th June 2015 difficult negotiations took place in Brussels. Nevertheless, Greece's partners – including Germany – found Tsipras' final proposals inadequate. Finance Minister Schäuble's initial optimism froze when he diagnosed that there was no breakthrough.³⁷

Amid uncertainty and speculation, Wolfgang Schäuble was regarded by Athens as the most influential German politician allegedly paving the way for a "Grexit" and creating a European conservative bloc against Athens. This said Premier Tsipras adapted a relevant communication strategy in his speeches in the Greek Parliament associating MPs who would not be prepared for the third bailout with the hypothetical objective of the German Finance Minister. Schäuble's position paper for a "five year time out from the Eurozone" that was revealed by the Sunday edition *Frankfurter Allgemeine*³⁸ was an additional blow for the bilateral relationship. This is also the case with his suggestion for Greece to transfer 50 billion Euros to a trust that would have its basis abroad and could be sold to reduce the nation's debt.³⁹ It remains unclear, however, whether Schäuble wanted to push the "Grexit" button or only sought to strengthen his country's position in negotiations.

From a German perspective, the decision of Tsipras to suddenly call a referendum in the night of 26th June further deteriorated Greece's credibility. The Greek Prime Minister was deemed in numerous European capitals – including Berlin – as making a unilateral decision without *a priori* informing other European leaders who had been struggling to find a mutually accepted solution in Brussels on the very same day. Tsipras' unexpected decision also influenced the good status of his personal relationship with Merkel for some days. The tone of the German Chancellor when she entered the Euro Summit of 12th July one week after the referendum was indicative. She said that no solution would be found "at any price".⁴⁰ Although the role of the President of the European Council, Donald Tusk, and French President François Hollande was important on that night, this Summit was almost played out as a personal negotiation between Merkel and Tsipras where the former had naturally the upper hand. Several special meetings were required on the sidelines of the Summit before Tusk finally tweeted the good news in the early

37. „Schäuble sieht keine neuen substanziellen Vorschläge aus Athen“, *Die Zeit*, 22nd June 2015, available at: <www.zeit.de> [accessed 18th October 2015].

38. „Schäuble bringt Grexit auf Zeit ins Gespräch“, *Frankfurter Allgemeine Sonntagszeitung*, 11th July 2105, available at: <www.faz.net> [accessed 18th October 2015].

39. „Is Germany preparing for a Grexit?“, *Deutsche Welle*, 11th July 2015, available at: <www.dw.com> [accessed 18th October 2015].

40. Eric Maurice, „Moment of truth for Merkel on Greece“, *Euobserver.com*, 12th July 2105, available at: <<https://euobserver.com>> [accessed 18th October 2015].

morning of the day after. Obviously, Varoufakis resignation a few days ago and his replacement by Euclid Tsakalotos had played a positive role.

There is a lively debate on the different approach between Angela Merkel and Wolfgang Schäuble in dealing with the Greek crisis. The latter is deemed as paying much more attention to numbers and Eurozone rules. In an interview with *Der Spiegel* Schäuble connoted that he could even resign.⁴¹ Apart from existing differences though, both German politicians closely co-operated on the matter. After “Agreekment” was reached, the former publicly thanked the latter during a debate in the German Parliament to vote for it.⁴² The contribution of the German Finance Minister was notable not only in setting the basis of the difficult agreement but also in exerting an influence on frustrated members of the CDU and CSU. It is not a coincidence that Schäuble was more popular than Merkel in German surveys conducted in June and July 2015.⁴³

The different approach between Merkel and Schäuble does not mean that the Chancellor would accept concessions to the Greek government. But taking into account that she would have the last word she could be relatively more flexible in comparison to the Finance Minister. That is why she was repeatedly mentioning concerning the Greek crisis that “if there is a good will, there is a way”. Merkel’s successfully followed a multidimensional diplomacy which was shaped not only by domestic considerations but also by international parameters. She knew that a potential “Grexit” might trigger a serious disagreement in German-American relations in a period US President Barack Obama and Secretary of the Treasury Jack Lew were paying much attention to Greece’s stay in the Eurozone.

More importantly, Merkel did not want the Greek crisis to jeopardise her personal effort to mediate in the Ukraine crisis. This effort had led to Minsk II agreement which was signed in February 2015 by the Chancellor, Hollande, Russian President Vladimir Putin and Ukrainian President Petro Poroshenko. A potential “Grexit” could theoretically give the opportunity to Russia to improve its geopolitical position in South-Eastern Europe by exploiting the gap and forging closer political and economic relations with Greece. It might also increase the possibility for Athens to apply a veto at the European level and block additional European sanctions against Moscow. The German Chancellor did not certainly want to blot on her legacy by having to deal with risky unpredictable developments. Along with a humanitarian dimension of a “Grexit”, Greece – still a member of the

41. „Griechenlandkrise: Schäuble spielt mit Rücktritt“, *Der Spiegel*, 18th July 2015, available at: <www.spiegel.de> [accessed 15th October 2015].

42. „Bundestag stimmt für Griechenland-Hilfspaket“, *Bundestag.de*, 17th July 2015, available at: <www.bundestag.de> [accessed 18th October 2015].

43. *ZDF Politbarometer*, 24th July 2015, available at: <<https://presseportal.zdf.de>> [accessed 15th October 2015].

EU and NATO – might take arguably remaining committed to its security obligations.

Looking towards the future

After the “Agreement” of 12 July 2015, the “Grexit” possibility was – at least provisionary - removed from formal and informal discussions at the EU level. Approximately one month later, on 14th August 2015 the Greek Parliament voted in favour of the new Memorandum with a majority of 222 out of 300 MPs.⁴⁴ In spite of the comfortable majority the result marked the final split of the SY.RIZ.A party as 44 of its members did not agree with Tsipras’ U-turn. Five days later it was the turn of the German Parliament to positively decide on the bailout programme. 454 German MPs voted in favour, 133 against and 18 abstained.⁴⁵ It is remarkable that 63 German members of Parliament who voted against the new rescue package belong to the governing parties of CDU and CSU. Their stance is indicative of their skepticism to grant new loans to Greece but can hardly be compared with the one of the SY.RIZ.A “rebels”. This negative attitude should not have been taken for granted if the majority in the German Parliament had been tight in the vote of 19th August.

The speech of Finance Minister Schäuble in the German Parliament on 19th August reflects his personal will to support Greece and give a new opportunity to the country.⁴⁶ Learning lessons from the experience of the period from 2010 until 2015, however, he is well-aware that no guarantee for the success of the new bailout programme can be given. It is here where the Greek government has to elaborate not only to gain the confidence of Germany but also of its other European partners. Its smooth co-operation with the Troika will be a good start in that regard. Berlin expects a systematic review for the implementation of reforms which can help Athens to stand back on its feet.

In parallel with the degree of Greece’s co-operation with the Troika there is also another thorny issue which might cause difficulties to Greek-German relations in the future. This is related to the sustainability of the Greek debt and the measures that have to be taken in order to ensure this. From a Greek perspective, Tsipras

44. “Greece crisis: MPs back €85bn bailout in marathon debate”, *BBC*, 14th August 2015, available at: <www.bbc.co.uk> [accessed 10th October 2015].

45. „Griechenland: Bundestag beschließt drittes Hilfspaket“, *Der Spiegel*, 19th August 2015, available at: <www.spiegel.de> [accessed 20th October 2015].

46. „Chance auf Neuanfang für Athen“, *ARD Tagesschau*, 19th August 2015, available at: <www.tagesschau.de> [accessed 10th October 2015].

proudly argues that he brought this issue to the agenda.⁴⁷ The Euro Summit agreement of 12th July does not exclude this possibility indeed by stipulating:

*In line with the spirit of the Eurogroup statement of November 2012, the Eurogroup stands ready to consider, if necessary, possible additional measures (possible longer grace and payment periods) aiming at ensuring that gross financing needs remain at a sustainable level. These measures will be conditional upon full implementation of the measures to be agreed in a possible new programme and will be considered after the first positive completion of a review.*⁴⁸

The IMF, the participation of which is highly desirable by Germany in the third bailout, will hardly continue lending to Greece if the latter's debt is not considered sustainable. The Fund therefore often exerts pressure on the EU to proceed to more radical measures and write off part of it. But Germany rejects such a scenario and refers to the "no bailout clause" of the Lisbon Treaty. It only seems open to discuss a mild debt-restructuring or a re-profiling. Within this framework, Germany might find itself in an awkward dilemma to keep the IMF in the rescue package. Ironically, the position of the Fund and that of Athens will be rather similar as far as the sustainability of the Greek debt is concerned.

Apart from the complicated nature of negotiations on the Greek debt, Athens and Berlin attempt to open a new chapter in their political relationship. Greek politicians refrain from openly stigmatising Germany as opposed to the first months of the year. From their part, their German colleagues are following a similar communication strategy. Tsipras's decision to resign and call a new early election on 20th August – which he finally easily won – caused no public alarm in Berlin. Despite the risk of a new political instability according to the projection of all Greek polls, Merkel preferred to show confidence on the decision of the Greek Premier. While being in Brazil, she told her Brazilian counterpart Dilma Rousseff that "Tsipras stepping down [was] part of the solution, not part of the crisis".⁴⁹ The victory of SY.RIZ.A in the new snap election of 20th September 2015 confirmed Merkel's thinking. Tsipras managed to become reelected having now

47. It is debatable where the reference of the Euro Summit Agreement of 12 July 2015 to the need of measures to reassure the sustainability of the Greek debt should be attributed to SY.RIZ.A's diplomacy. By contrast, the incompetence of both the SY.RIZ.A-Independent Greeks government (from January 2015 until July 2015) and of the New Democracy-PA.SO.K one (from May 2014 until January 2015) to meet the required fiscal targets led Greece's creditors to seriously consider this issue. According to the ESM Treaty no loan is allowed to be given should the sustainability of the country's debt asking for this loan is not guaranteed.

48. Euro Summit Agreement, Brussels, 12 July 2015.

49. Marcus Bensasson, "Tsipras Calls Early Greek Elections to Strengthen Grip on Power", *Bloomberg*, 20th August 2015, available at: <www.bloomberg.com> [accessed 19th October 2015].

a bailout agenda and removing pro-drachma politicians from his party and from the Greek Parliament. Further to this, following the standards of the Greek political culture, a leftist government can count on milder reactions from parts of the society and trade unions as well as on a lower number of demonstrations and strikes in comparison to a right-wing government.

The new co-operation between SY.RIZ.A and Independent Greeks put an end to wishful European thinking for the formation of a grand coalition government but can hardly trigger a serious political crisis in the medium-term or one which might again jeopardise Greece's European orientation. Even if instability problems arise, MPs of New Democracy, PA.SO.K, To Potami and the Union of Centrists are able cover the gap either individually or collectively – depending on their party's official stance. Tsipras might then need to proceed to the formation of a new, broader coalition government and a reshuffle of the cabinet. The good news for Greece is that the new parliament is largely composed of pro-EU and pro-Euro MPs. With the exception of 18 MPs of Golden Dawn and 15 MPs of the Communist Party, the remaining 267 have either voted for the bailout or they do actively support it.

A new opportunity?

During the summer of 2015, the agenda of Greek-German political relations had been almost exclusively influenced by the management of the economic crisis. However, in the aftermath of the Agreement another issue came to the forefront. This is the wave of refugees coming to the Old Continent via Greece and Italy. In mid-August the UN reported that approximately 20,000 migrants and asylum seekers were arriving in Greece per week in that period while 160,000 had landed since January.⁵⁰ Within this context the Greek crisis was relatively sidelined, although German and other European officials continue to closely monitor the co-operation of the SY.RIZ.A – Independent Greeks government with the Troika. In the view of Angela Merkel, the arrival of irregular migrants and asylum seekers in the EU would require even more drastic measures than the Greek crisis and the stability of the Euro.⁵¹

Ironically, the refugee problem – despite its dramatic humanitarian nature – has given a new momentum for a constructive co-operation between Greece and Germany. On the one hand, Athens needs more support from its European partners. And on the other hand, Berlin expects from the Greek government to absorb a higher number of refugees on its soil, to efficiently operate the so-called hot spots and better co-operate with Turkey on the borders. In order to assist the Greek government the German Foreign Ministry has increased its financial contribution to the UNHCR and the Red Cross to 2.4 million Euros. According to Foreign Minister Frank-Walter Steinmeier, this decision reflects the will of his country to practically contribute to the matter and not only request or urge the other side.⁵²

Following an important European meeting on refugee flows along the Western Balkans Route which took place on 25th October 2015, participants welcomed Greece's to support refugees. Specifically, they welcomed its "intention to increase reception

50. George Tzogopoulos, "Desperate refugees pose bigger challenge to EU than debt crisis", *Global Times*, 19th August 2015, available at: <www.globaltimes.cn> [accessed 19th October 2015].

51. „Merkel: Asylkrise größeres Problem als Griechenland“, *Diepresse.com*, 17th August 2015, available at: <<http://diepresse.com>> [accessed 20th October 2015].

52. Website of Germany's Representation in Greece, „Humanitäre Hilfe für Flüchtlinge in Griechenland“, 4th September 2015, available at: <www.griechenland.diplo.de> [accessed 18th October 2015].

capacity to 30.000 places by the end of the year". Further to this, they expressed their commitment "to supporting Greece and UNHCR to provide rent subsidies and host family programmes for at least 20.000 more".⁵³ The day after, the German government spokesman Steffen Seibert welcomed Athens' determination and argued that this was "a good intermediate step".⁵⁴

Greek-German co-operation on the refugee crisis raises a question on the future course of the bilateral relationship. Taking into account that the Stability and Growth Pact makes provision for relaxing fiscal discipline during "exceptional circumstances", it will not be surprising if the European Commission considers the ongoing refugee crisis as such. Germany denies officially a potential connection of the implementation of the third bailout's terms by the Greek government with its efficient response to the refugee crisis. But the emphasis Berlin lays on the migration challenge and the high interest of German public opinion⁵⁵ along with the need of Athens' harmonious co-operation could leave a small window open. In the final account, Greece and Germany have now an opportunity to overcome the difficulties of the previous years, change the agenda and proceed towards a mutually beneficiary collaboration. This does not mean that Athens will not have to apply bailout terms. It entails though that Athens could find a better understanding in Berlin in passing through its modern Odyssey.

53. Leaders' Statement after Meeting on refugee flows along the Western Balkans Route, 25th October 2015, available at: <<http://ec.europa.eu>> [accessed 26th October 2015].

54. "Greek determination on the hot spots is important", *Deutsche Welle*, 26th October 2015, available at: <www.dw.com> [accessed 26th October 2015].

55. A *ZDF Politbarometer* of September 2015 demonstrates that 63% of respondents in Germany regarded the refugee crisis as threatening the cohesion of the EU. Further to this – and as opposed to her general performance – the work of Chancellor was regarded as good by only 50% of respondents. See: „Flüchtlingskrise kratzt am Image der Kanzlerin“, *ZDF Politbarometer*, 25th September 2015, available at: <www.heute.de> [accessed 20th October 2015].

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