The Last Bluff

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How Greece came face-to-face with financial catastrophe & the secret plan for its euro exit

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If history repeats itself, and the unexpected always happens,
how incapable must Man be of learning from experience.

–George Bernard Shaw

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INTRODUCTION

Saturday, June 27, 2015
17:30

Clutching his rolled-up notes in a tightly-wound cylinder, Jeroen Dijsselbloem walked out of the elevator and nervously strode through the narrow corridor leading to the packed room where a thicket of cameras and hundreds of journalists awaited him. He paused, took a deep breath and walked towards the podium with a determined step. He knew that the press conference that was about to start would be the toughest of his career, and he had to stay calm. He felt alone. And, for the first time, he was. Without any other European official standing next to him, the Eurozone message he was about to transmit needed to be crystal clear. He was in the eye of the storm, and whatever he said would be replayed across the world. His words had to be carefully chosen, one by one.

The previous night the Greek government had called a surprise referendum over a draft agreement with the country's creditors that foresaw yet more austerity in exchange for loans needed to stave off a chaotic default. Alexis Tsipras, the prime minister, had called on Greeks to vote No, and Dijsselbloem was trying to understand why. *Does this mean they really want to leave the euro? Or do they think that we can give them a better deal?* he wondered.

He wasn't the only one feeling perplexed. Tsipras' decision had stunned the rest of Europe, which struggled to interpret his move. But it had also shocked ordinary Greeks, who found themselves queuing on the streets in the early hours of the morning, trying to withdraw as much of their savings as possible from ATMs, uncertain what the next day would bring.

Negotiations between Athens and its creditors hadn't reached a compromise—far from it, in fact—and the country's bailout was about to expire in three days' time, leaving it without a safety net. To make matters worse, Greece needed around 1.6 billion euros within the next seventy-two hours to avoid defaulting on a looming payment to the International Monetary Fund and the nation's coffers were empty. Even so, the Greek government was calling on people to reject the creditors' compromise proposal.

Dijsselbloem stood up straight in front of the podium and unrolled his notes. Looking at the packed press room through his round rimless glasses, he felt, for the first time, that he had started losing control of the situation. His main role as president of the Eurogroup had been to keep the Eurozone's 19 finance ministers united and on the same page. Yet just a few moments earlier, the Greek minister, Yanis Varoufakis, had walked out of the room halfway through their meeting, leaving the group for the first time without unanimity and without representation by all its members. For Dijsselbloem this was a major blow.

Over the next days, the integrity of the EU's biggest economic achievement, the euro, would come into question. *How can we get out of this mess?* he wondered, unsure of whether Greece's gathering momentum towards an exit from the common currency could be stopped.

Even if Greeks voted Yes, Dijsselbloem began, their government had been so negative on the proposed measures, with the prime minister strongly condemning them, that it was hard to believe they would be able to implement any agreement in a right and conscientious way.

"There are great concerns of credibility," he said.

He wasn't looking at his notes as he knew very well what he wanted to say. Besides, he was merely echoing what the Eurozone's other 18 finance ministers had said moments earlier. His voice didn't change tone, but it trembled, and his fingers fidgeted more than was normally the case. These were the sole signs of the immense pressure he was under.

And if the Greeks voted No? In that case, even if the government sought to return to the negotiating table, the economic situation in Greece would in the meantime have deteriorated very rapidly, he warned. "How the Greek government thinks it will survive and deal with its problems, I do not know."

They're asking people to say No so that they can get a better deal. That's a lie, he had kept thinking all morning.

After a few short questions, he picked up his papers and walked back to the meeting room, where Eurozone finance ministers would continue their crisis talks, this time without their Greek counterpart. They had to work out how to protect their economies in case Greece left the currency union, an unprecedented step that went further than any discussion they'd had throughout the Eurozone crisis.

In the two middle seats of the third row in the press conference room, sat the two of us, next to each other. They were the same seats we had occupied during each of the previous twenty-six Eurogroup meetings we had covered since we arrived in Brussels as correspondents in 2014. Ever since SYRIZA was elected to government in 2015, we had followed every step of the negotiations, trying to keep pace with developments that moved at lightning speed. By June 2015, the venues and the faces were all too familiar to us. What was completely new during that day's press conference, however, was the message the Eurogroup president had just delivered: that the future of a Eurozone nation was in grave doubt, no matter what its voters chose in a snap referendum nobody had foreseen.

We walked out of the press room, our heads buzzing. As Greek journalists in Brussels we were in the privileged yet agonizing position of understanding the pressures pushing the Greeks to take extreme, if sometimes surreal, decisions; but we could also recognize how Europe's red lines could be justified in order to keep the rest of the Eurozone intact. *"I'm sorry for your country. I'm sorry for you. There's*

nothing else we can do," European officials would tell us that afternoon, looking at us in silent awkwardness, as we roamed the halls of the European Council's Justus Lipsius building.

The atmosphere was somber and we felt a bewildered numbness. We were witnesses to our country's history, which was unfolding on rolling deadlines we still had to hit.

As we sat down at our desks inside the conference venue, colleagues from other countries sought to reassure us that it would all work out in the end, realizing that our lives could change dramatically in the coming days. Fudges and accommodations were always reached by EU officials amid crises, right? But they couldn't tell what was going to happen. No one could.

In the room where Greek journalists typically worked, the atmosphere was tense, but in an entirely different way. While some reporters were cheering Tsipras' 'brave decision' to call a referendum, others, shocked, were packing up their things to prepare to write their stories elsewhere. Just by observing the dynamic in that small workspace, one could tell how divided the country would become in the coming days.

Before we set out to write our stories, we walked outside to get some fresh air. But the atmosphere there was equally suffocating, thick with the summer humidity that can afflict the Belgian capital and that makes one's skin sticky and the air hard to breath. The sky was dull and cloudy, and a typically light Brussels drizzle had just making a shy appearance.

Over by the entrance, overlooking the imposing Berlaymont building, the European Commission's headquarters, stood Gabriele Giudice, an EU official long involved in the Greek negotiations. He was holding a half-smoked cigarette in one hand and a paper cup in the other, bearing the telltale brown streaks from a freshly drained espresso. Since the summer of 2012, Giudice had been the European Commission's number two person in the Greek bailout team. He had seen up close how near the precipice the country had been at that time, and knew of

the efforts Greek and European officials had undertaken to help it back to its feet. He had visited Greece dozens of times and spoke of it as if he had lived there for years.

When snap elections were called in late 2014, Giudice knew that the country was entering a fresh bout of turbulence, so he placed a bet with himself: he wouldn't shave until Greece managed to get its next slice of bailout aid. Seven months later, the country had not only failed to get the aid he was talking about, but it was now closer than ever to a default and an exit from the euro. Once we met, there was no need to exchange a word. Our expressions gave away our concern. His beard had by then grown thick.

"In the Eurogroup right now they're discussing how to shield Europe in case your country leaves the euro," he said, his eyes red from fatigue and emotion, as he took a last drag off his cigarette. "I couldn't stand being in the room for that discussion. I can't believe we're at this point after everything that has been done in the country."

That afternoon, it became clear to us that, someday soon, we would have to set about writing down, and perhaps with more distance, the events we were living through. We decided we wanted to explain—and understand—how things had gotten so out of hand, so quickly. What had gone wrong?

Although on the surface, this story is about a financial crisis, in reality it is much more than numbers and statistics. It's a story of real people, charismatic yet plagued by vanity; a story of mistakes, miscalculations, and gambles gone awry. A story where personal interests, ambition, and the chemistry between the protagonists played as important a role as numbers in determining the lives of millions of people. This story didn't just unfold in leaders' summits and finance ministers' meetings. In reality, the most important events took place behind closed doors in Brussels, Berlin, Paris, Frankfurt and Athens; in ornate ministries and in drab government corridors, in hotels, seaside taverns, beaches, and

even in the homes of those officials and leaders who would determine not just Greece's fate, but that of the euro.

* * *

This book is the product of over 230 hours of interviews with 95 people. These include many of the main protagonists of the events of 2015, including senior officials from all the relevant institutions: the European Commission, the European Central Bank, the European Stability Mechanism and the International Monetary Fund. We also spoke with Eurozone finance ministers and diplomats, and government officials from Berlin, Paris, Washington and, of course, Athens.

All the interviews were conducted off-the-record as many of the people who spoke to us continue to hold the same jobs or other official positions, and the events of that period remain sensitive to this day. That's why the majority spoke to us under the condition that they're not identified by name. For this reason, wherever there is a dialogue in the text, it didn't necessarily come to us from the person speaking. We often used the testimonies of other participants in the exchange, such as for example aides or colleagues that were present in the meetings, or during the calls that often took place on loudspeaker. At other times we used written memos and notes, as well as the recollections of people who were debriefed on what was discussed in meetings immediately after they took place. To cross-check the information, we largely relied on emails, texts, official and unofficial minutes of meetings, as well as many secret and public documents, calendars, call logs, photos and any other material the people we spoke to were kind enough to share with us.

Although the events of 2015 were arguably followed in more blow-by-blow detail than any other period in the EU's recent history, by journalists around the world, we believed they had to be told in a way that took into account all the different points of view, all angles and

all sides, and with the added benefit of hindsight. What we tried to do was to connect all the pieces of the puzzle and highlight aspects of the story that remain poorly understood or secret to this day—such as the creditors' secret Plan B, mapping out how Greece could leave the euro.

Our aim was to reconstruct the pivotal moments and to put readers inside the rooms where the most critical discussions took place, in order to shed light on the way momentous decisions were made—and are still being made in Europe.

We were helped greatly by the work of Greek and foreign journalists, especially in constructing an extremely detailed timeline that served as our roadmap. Even though the time period we are looking at only lasted a few months, the developments were so rapid and numerous that even the participants themselves needed help placing particular incidents in time, so that they could narrate them in detail.

We believe we have been as scrupulous as possible in reconstructing a chaotic and, for many, frightening period of recent European history. Yet, ultimately, this book is largely based on the recollections of individuals, in the way that they have decided to remember and justify their roles and their actions, with the benefit of hindsight.

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THE LAST BLUFF

"There has been much written about the Eurozone crisis, but until now nobody has told its last, tragic chapter: how the radical government of Alexis Tsipras nearly forced Greece out of the euro almost by accident. Dendrinou and Varvitsioti uncover compelling evidence that Europe was ready to let its weakest link go, offering key insights into how its leaders decide when faced with a major crisis. It reads like a thriller, making the cataclysmic events of 2015 come alive by detailing the behind-the-scenes machinations of those who decided the fate of Greece—and the euro."

– Peter Spiegel
US managing editor, *Financial Times*

VIKTORIA DENDRINOU is a reporter for Bloomberg News in Brussels covering EU affairs and economic policy. Previously she worked for the *Wall Street Journal* as an EU correspondent. Before moving to Brussels she spent two years at Reuters Breakingviews in London and was a Nico Colchester Fellow at the *Economist*. She holds a BA in Philosophy, Politics and Economics from the University of Oxford and an MSc in Economics from University College London.

ELENI VARVITSIOTI is the EU correspondent for Greek daily *Kathimerini* and SKAI TV. Before moving to Brussels in 2014 she spent a decade working for the investigative TV program 'Folders', covering a wide range of issues reporting from across Europe, Latin America, North Africa and the U.S.. In 2016 she was awarded for her reporting by the Botsis Foundation, Greece's most prestigious journalism prize. She majored in Journalism and History at Boston University.

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