



A timeout-proposal with consequences

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Despite the tactics of brinkmanship used by all negotiation parties, the Greek government and the Eurogroup finally managed to find a general understanding on a third assistance package. However, this deal comes at a very heavy price: considering the harsh statements on the negotiation process that followed the agreement, its fallout is immense. The marathon summit leaves both European governments and citizens deeply divided. It has created long-lasting tensions between Member States of the Union's north and south that will weigh heavily on future Member State interaction. In addition, it has challenged Germany's role in Europe. Now it's urgently time for all sides to tone down the rhetoric and to repair the damage. Particularly, the German government is well advised to address the criticism it is facing.

A new and more coercive Europe?

The agreement between the Eurogroup and the Greek government has brought back the worrying fact that the creeping feeling of a 'German Europe' has ultimately returned to the minds of many European partners. The German government's tough negotiation tactics and the perception that Berlin – against the spirit of European decision-making – flexed its muscles in a blunt power play to advance its own interests and to force Greece to accept harsh bailout conditions has alarmed many. It brought about concerns of a new and more coercive Europe under German leadership. 'To Germany I say: Enough is enough', Italy's Prime Minister Matteo Renzi was quoted for instance in the course of negotiations referring to German demands.

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German Finance Minister Wolfgang Schäuble in particular played hardball in the negotiations: He pushed for a plan that called for a timeout for Greece from the monetary union. Athens should leave the eurozone for at least five years, during which it could restructure its debt. And Schäuble – in contrast to Merkel who considered such measures only as a negotiation strategy – was and still is serious about his proposal. In his view, German intransigence vis-à-vis Greece is not at all anti-European but will serve the cause of European integration in the long-run as it preserves the rule-based framework of the EU community. Even more, for Schäuble a Grexit could serve as an opportunity to achieve a longstanding goal: it would pose the opportunity to push for deeper integration of the eurozone simply out of the necessity to highlight to the financial markets that the Greek case is not a precedence but an exception.

In the negotiations with the Greek government, Merkel let her finance minister carry on and only gave in after the full impact of this threat unfolded and the Greek prime minister Alexis Tsipras capitulated. In the end, the Greek government had to agree to a deal in line with German interests that will place Athens under strict observation, demand deep spending cuts and far-reaching structural reforms. Thus, even though Schäuble's proposal did not make it in the final agreement it strengthened the impression that Germany considers a Grexit-scenario not anymore only a pure negotiation strategy but a real alternative. Consequently, it severely questioned Germany's commitment to keep Greece in the eurozone. Showing Greece the door was perceived by many as a breach of a European taboo undermining the EU's fundamental belief in solidarity. Thus, Schäuble's plan is seen as a departure from decades of European policy that will resonate far beyond the Greek crisis.

Still, shifting the blame solely on Germany is a one-sided approach: this view falls not only short of acknowledging the severe governance deficiencies of the Greek state but also overlooks the veto position each eurozone member had in the negotiations and the domestic constraints, Merkel had to face. In the course of the negotiations she was tasked to square the circle: representing the interests of the camp of smaller Member States like Finland, Slovakia and the Baltic countries that pursued an even harsher position vis-à-vis Greece than others; accommodating the French and Italian demands to keep Greece in the monetary union at all costs; and finally appeasing a rapidly growing number of deputies at home who are highly critical of the course of negotiations with the Greek government.

Perceptions matter!

Nevertheless, this is not about being right. Germany's role in Europe has become the focal point of a heated European debate and the German government gets much of the blame for its negotiation style and its overtly assertive economic policy. And indeed, perceptions matter – particularly in such a critical phase for the EU in which emotions mostly seem to prevail over rational arguments. Yet, the German political establishment seems to find the European-wide criticism of its crisis management not really troublesome. Even worse, they miss out to reflect on and fix this communication problem.

Germany is well equipped to take over a leadership role given its relative economic clout and the country's deep commitment to Europe but it has to learn that this comes at a price. Meeting other Member States' expectations without dictating its own conditions and accommodating the needs of its partners is a challenge Germany has to stand up to. The German government has to learn that its actions are watched with suspicion. Thus communication is the key: the German government quickly has to develop a credible and convincing public diplomacy towards its European partners in order to repair some of the damage. It is dangerous to narrowly focus only on the domestic political discourse where the negotiations are sold as a success of German interests. Instead, the German government should address a rapidly emerging European public by actively seeking exchange with its European partners on the political level and with opinion leaders all over Europe in order to explain its policies and respond directly to any criticism.

The way Member States will deal with this crisis is going to have long-lasting repercussions on their interaction in the future. The German government is well advised to keep this in mind.