

GREECE

The Greek people will pay a heavy price for delays in agreeing a new bailout. Why did it take prime minister Alexis Tsipras so long to strike a deal?

# The man who cost Greece billions

BY DINA KYRIAKIDOU





**FAST RIDE:** Alexis Tsipras leaves a polling station on the day of Greece's election in January. The vote brought to power Tsipras' radical leftist Syriza party, which had vowed to take on the country's international creditors. Cover: Tsipras looks on during a speech in May. **REUTERS/ALEXANDROS STAMATIOU/PHASMA**

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Once again Alexis Tsipras was struggling to make a decision. For hours on July 13, the Greek prime minister and Europe's leaders had been trying to thrash out a new deal to bail out bankrupt Greece and keep the country in the euro zone.

Now a clean copy of the latest text had been printed, and German Chancellor Angela Merkel, French President Francois Hollande and European Council President Donald Tusk were satisfied with the terms. So too appeared Tsipras – but he left the room to check the details one more time

with colleagues in his leftist party Syriza.

Nearly an hour later he had still not returned. Heads of government and state paced around, fiddling with their phones. The Lithuanian president and Slovenian prime minister said they could wait no longer and left through a backdoor, a diplomat involved in the summit said.

When Tsipras finally reappeared, his response confirmed what Europe's leaders had suspected for some time: without the full backing of his party, the Greek leader could not commit. The drafting process had to begin anew.

The setback reinforced European doubts that Tsipras could control his party. Friends

and associates say the 40-year-old's calm demeanour belies a man struggling to balance Syriza, Greece's economic interests and his own leftist ideology. At many points he has turned to a small team of advisers, conferring with them again and again before making major decisions.

Tsipras's strategy going into the bailout talks was to push international partners to the edge, betting they would make concessions to prevent Greece crashing out of the euro zone. In the event, though, he was forced to blink first and then ad-lib his way through the crisis that ensued.

He found himself pressed on the one side by the Germans, who didn't want to

give another penny to prop up Greece, and on the other by his own political party, which opposed the austerity demanded in return for a bailout.

The indecision and delays have cost Greece about 30 billion euros in the last three weeks alone, according to one senior European Union (EU) official. Tsipras' inability to cut a deal in early July, which forced Greek banks to close their doors and sent the economy plunging, has pushed up the cost of the latest bailout to 86 billion euros, from the 53 billion euros Greece was requesting only a few weeks ago.

Tsipras would not speak to Reuters for this story. But he told Greek state broadcaster ERT on July 15 that he had made mistakes and taken some bad decisions. But at least he was a straight talker, he said. "You can accuse me of many things, that I had illusions that this Europe can be defeated, that the power of what's right can defeat the power of banks and money. But you cannot accuse me of lying to the Greek people."

A former Syriza colleague who has known Tsipras since he was a teenager and is now with another party said: "He has grown in leaps politically, but his decisions are a result of his fears. Fear that he will be the prime minister who led Greece out of the euro, fear his party will split, and also fear he is betraying the ideology he has fought for and believed in since he was a child."

### METEORIC RISE

Born in 1974 a few days after Greece's return to democracy following seven years of military dictatorship, Tsipras joined the youth branch of the Communist Party when he was just 14. Three years later he moved to a more liberal-minded splinter group that would later be renamed Syriza.

Until a renovation a few months ago, a portrait of Che Guevara hung outside Tsipras' office in Syriza headquarters in Athens. "At 16, I read Marx and believed capitalism would end and we would go to the next stage of society, which is socialism.



THE SQUEEZED MIDDLE: A pensioner (above) is crushed in the crowd as she waits outside an Athens bank to receive part of her pension on July 1. Below: riot police arrest an anti-austerity protester following clashes in Athens on July 15. **REUTERS/ALKIS KONSTANTINIDIS; YANNIS BEHRAKIS**



To me, this was absolute," he said in a 2008 interview with student paper Schooligans. "I was wrong. Now I know it's not absolute. It may happen, but it may not."

Tsipras rose through Syriza's ranks swiftly. As head of the party's youth wing

he "was a good manager of daily issues but didn't give the impression he would be a great leader," said an older Syriza member who has known Tsipras since he was a teenager.

Nevertheless, party president Alekos

Alavanos picked him as a candidate in the 2006 race to be mayor of Athens. With youth and sincerity on his side, Tsipras unexpectedly received 10.5 percent of the vote – not enough to win, but a massive gain for what was still a tiny party.

“Alavanos catapulted him to the top. He really fought with others in the party to establish him because he believed Alexis was the only hope for the (Left) Coalition,” said the former Syriza member, referring to a forerunner of the party.

At 33, Tsipras was president of the party, the youngest political leader in the history of modern Greece. By 40, with no experience of national government, he was prime minister, elected on the promise of ending austerity but keeping Greece in the euro zone.

Even his mentor did not think the promise stacked up. Alavanos, now 65, left Syriza years ago and heads a small party that advocates Greece’s exit from the euro zone. He has never publicly discussed Tsipras and refused to comment on their relationship for this story. But he did criticise the idea that Greece can stay in the euro and not implement austerity. “Basic intelligence dictates this is impossible,” Alavanos said.

### INNER CIRCLE

Like the prime minister, Tsipras’ team of close advisers had little experience of government or international politics. In large part, members of his inner circle are trusted friends of a similar ideology and age.

His closest confidant is Minister of State Nikos Pappas, two years his junior. Pappas, an economist, was living in Scotland with no plans to return to Greece when Tsipras asked him to join him in 2008.

Tsipras also brought in British-trained economist Yanis Varoufakis, who had been an academic in Britain, Australia and the United States. He offered a way to build bridges with Europe and the United States. “(Tsipras) took him in because he broke some barriers for us,” said a Syriza insider. “He was recognisable and he had



SPLIT: Tsipras and then Finance Minister Yanis Varoufakis during the first round of a parliamentary vote in February. The two men disagreed over issues of presentation and substance. **REUTERS/ALKIS KONSTANTINIDIS**

international connections.”

But Varoufakis was also radical and outspoken. Appointed finance minister after Syriza won power in January, he proved to be less bridge builder and more destroyer as he negotiated with international lenders. He angered many in Europe with his blunt rhetoric and unorthodox ideas. Even Tsipras was shocked to hear about a Varoufakis’ plan to recruit average Greeks and tourists to act as tax inspectors, insiders said.

As negotiations floundered, these two key figures in the Greek government went in different directions. Varoufakis, who would not speak for this story, eventually quit, saying he felt Tsipras was ready to reach a deal with Greece’s creditors at any price.

In all the turmoil, Tsipras also had two confidants of a different nature. One was Minister of State Alekos Flambouraris, who had worked with Tsipras’ late father in the construction industry. People close to Tsipras say the 73-year-old Flambouraris

offers emotional support as his leader tries to balance party, country and principles.

Tsipras’ other support was his partner Betty Batziana, his high school sweetheart. At home they still lead a quiet and modest life, little changed from before he became prime minister.

Batziana has studiously stayed out of the limelight. In one of her few contacts with the media during a trip to Moscow, reporters asked whether it was true, as some British media suggested, that she had said she would leave Tsipras if he agreed to a bad deal for Greece. In reply, she laughed.

### MOTLEY BUNCH

Tsipras’ inner team started to discuss the idea of a referendum in April, as it became increasingly clear Greece’s creditors would not budge on their austerity demands. Their aim was to use a vote on the EU’s bailout terms as a way to entrench the prime minister as the dominant political figure in Greece, rally public support around him

and give him leverage with lenders, insiders say.

While popular support was important, this overlooked two important factors. First, Greece's only real bargaining chip with its lenders was the threat of the chaos that might ensue if it had to leave the euro zone. Second, Tsipras was struggling to keep Syriza – a motley bunch of 16 groups, ranging from Maoists to environmentalists – united.

Some far-left members wanted Greece to leave the euro zone and go back to the drachma. “In the last few weeks, Tsipras had to keep a balance between keeping Greece in the euro and holding his own party together,” a former senior Syriza official said.

Greece's international partners grew increasingly frustrated with Tsipras and his lack of decisiveness. On June 24, Tsipras met for hours at European Commission headquarters with International Monetary Fund boss Christine Lagarde, European Commission President Jean-Claude Juncker, European Central Bank chief Mario Draghi and Eurogroup finance ministers.

Two people familiar with the talks said Tsipras appeared to agree at least twice on terms for a bailout, only to request a timeout to consult with his delegation, which included Varoufakis and Pappas.

Each time, he returned to the room without his normal smile and said the package was “unacceptable,” causing immense irritation and loss of trust, the two sources said.

“He brought this busload of Syriza activists with him, and each time we thought we had a deal, he would go next door and consult the comrades, and come back stony-faced saying it was impossible,” one of the sources said.

A Greek official said a mini-bus of Greek ministers and Syriza economists was in Brussels. “It is natural that the prime minister consults with his delegation,” the official said.



CONFIDANTE: Tsipras and his partner Peristera (Betty) Batziana in Athens on July 5. Batziana mostly stays out of the limelight. **REUTERS/ALKIS KONSTANTINIDIS**

“He has grown in leaps politically, but his decisions are a result of his fears.

A former Syriza colleague, referring to Greek Prime Minister Alexis Tsipras

### COMRADES

In the referendum, Greeks voted against tough bailout terms involving austerity. It was a huge victory for Tsipras, but the sense of elation didn't last. He sought parliament's approval to go back to the EU negotiating table and, unsure whether he could hold his government together, reached out to his political rivals for support.

The leaders of all Greece's main parties except far-right Golden Dawn were called to a meeting at the presidential mansion on July 6. It lasted nearly seven hours. Insiders said Tsipras was accused of bringing Greece to the brink of disaster with his erratic behaviour. Though Tsipras spent most of the time consulting EU leaders by telephone, he listened to his critics, spoke little and kept copious notes, the insider said. He

looked tired and anxious and responded by saying: “We must all exercise self-criticism.”

At the end of the marathon meeting, a joint statement was issued, declaring the referendum's resounding rejection of a bailout deal as a mandate to negotiate further. During a five-hour parliamentary debate that started after midnight and ended with Tsipras delivering a final appeal in a trembling voice, Syriza was in uproar.

Parliamentary offices filled with cigarette smoke despite a smoking ban. Syriza lawmakers walked the corridors telling reporters the government might not survive the night. Some Syriza lawmakers rebelled, but Tsipras won the vote with the support of other parties.

Wounded, but armed with parliament's approval, he returned to Brussels for the final showdown. In reality, though, he was losing any leverage to negotiate and decisions were being forced on him.

As EU funding ran out, the government was compelled to close Greek banks and limited people to 60 euros a day from cash machines.

Tsipras looked exhausted. Some



REFERENDUM: Tsipras addresses an anti-austerity rally in Athens on July 3. The prime minister urged voters to spurn the tough terms of an aid deal offered by international creditors. They did, but he signed a subsequent deal anyway. **REUTERS/YANNIS BEHRAKIS**

European leaders even urged him to get some rest. But with the intervention of the French, a deal was reached under which Greece agreed to accept even tougher economic reforms than had been on offer before. Tsipras announced it to his team calmly: “OK, we signed.”

In Athens, a group of Syriza supporters gathered around wine and meze in the leafy yard of a house in the leftist district of Exarcheia. The group was split between those who had wanted Tsipras to get a bail-out deal and keep Greece in the euro, and those who advocated ending austerity - even if it meant going back to the drachma.

What was unanimous, however, was

sympathy for Tsipras. “He may not have political experience but he is honourable and a fighter,” said Nikos Kapios, 80, a retired actor at the gathering.

At the weekend Tsipras reshuffled his cabinet, replacing several ministers who opposed the new EU deal. With Syriza divided, Tsipras, who remains popular with voters, may decide to hold another election later this year. “If he doesn’t make it,” said Kapios, “the blame is with his own comrades.”

*Additional reporting by Renee Maltezou, Paul Taylor, Alastair Macdonald and Robert-Jan Bartunek in Brussels; and Elizabeth Pineau and Julien Ponthus in Paris.*

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