



Learning from Greek tragedy: the negotiator's playbook



A bad Brexit deal for Britain is inevitable, but a deadline is not helping negotiations – you need more time to disentangle, says Yanis Varoufakis, former Greek finance minister.

Speaking to

Chris Heard, North Regional Chair

Whether or not you agree with his politics, there's no denying that Greece's one-time Finance Minister, Yanis Varoufakis, offers a lot of food for thought to British businesses.

The economist, politician, author and dedicated European reformer addressed our KPMG Executive Exchanges dinner in Leeds in late September. Theresa May, Brexit, Angela Merkel, deflation, the northern powerhouse, idle liquidity and Michel Barnier were all given the Varoufakis treatment in a thought-provoking analysis of the world as he sees it.

No way but Norway

Varoufakis' views on Brexit (best to aim for a Norway-style agreement with a customs union agreement thrown in) and a second referendum (no chance; it's no longer a binary choice) are well publicised.

"Do not bother trying to negotiate with Barnier and the EU," said Yanis. "The EU doesn't do negotiations. Highly regimented and inflexible; it is structurally incapable of negotiating. It has too many interests to protect and is fearful of the message that any sort of Brexit leniency will send to the rest of Europe."

"The way to go into discussions with the EU is to have a firm idea of what you want to get – which you can push ahead with, regardless of what they come back with. Once Theresa May went in there, needing something from them, creating lines that would need to be crossed, the game was up."

Yanis is often referred to as "radical" and "controversial" but when I asked him whether this is unfair, he's seemingly indifferent. "We live in a world where common sense has been painted as controversial. It's a reflection of the crisis we're going

through. I don't believe that advocating that a bankrupt entity [the Greek state] shouldn't take on more loans is either controversial or radical. But the fact that it is painted as such means that we're in deep trouble."

Time is of the essence

As he drew out the parallels between Brexit and his experience in Greece, talk inevitably turned to 2015 and the intense period of negotiations he led. In 2015, with his feet having scarcely touched the floor in his new ministry, he had to face down the *troika* of the European Commission, European Central Bank and International Monetary Fund over the proposed Greek bailout. At the time, he secured a four month debt deadline extension.

"I bought those four months as breathing space to help our creditors find more common ground with us. Instead, they used that time to heap more pressure on my Prime Minister. It worked – and he buckled. With hindsight, securing those extra four months was actually a mistake. Looking back, perhaps I should have known better but I had too much faith in him."

The reason this is interesting is that time is exactly what he suggests Theresa May now needs to buy. "You spent over 40 years getting into bed with the EU," he explained. "Would it therefore be so bad to have four or five years to properly disentangle yourself? The problem here is the ticking clock. Nothing good is going to happen as long as that deadline remains in place."

This led Yanis on to the topic of the "Norway-plus" deal, initially set up as a five year, potentially renewable, agreement, allowing Parliament the luxury of continuing to debate the longer term end-game without the countdown clock ringing in their ears.

Prepare for the worst

If any of our Yorkshire KPMG business leaders were looking for even a shred of post-Brexit comfort, Varoufakis didn't seem in the mood for giving it.

"If I were running a local business, I would become exceptionally risk averse," he explained. "I would take it for granted that there is going to be a hard Brexit. I would find out exactly what that would mean regarding my supply lines and make contingency plans for the worst case scenario. It will be important to prepare for the worst and hope for the best."

I asked him what he thought of the evening: "In the room tonight, I sensed a great deal of discontent and trepidation. There is this fear that those in control have lost the plot and that we are now in a mess, and finding it impossible to wriggle out of without a degree of courage."

Keen to lighten the mood, I asked him whether there might be any sort of possible upside to Brexit. He was willing to concede only the slightest bit of ground, and said, "Well, like all challenges, I guess there must be a silver lining somewhere. But it depends on the specifics of the deal. If this is done rationally and gradually, giving businesses 3-5 years during which to adjust, some businesses may eventually do reasonably well if unshackled from some of Europe's current regulations."

Left wing, left field

While intensifying his domestic political involvement with a new national party, called MeRA25, Yanis is also gearing up for a tilt at the EU, targeting next year's European Parliament elections. One would take from his views that a union of European states was alien to his thinking. However, the idea of one of the EU's harshest critics sitting at its top table isn't as outlandish as it might initially seem.

"I'm a Europeanist!" he claimed. "I'm critical of the EU but I don't want to see it dissolve. The organisation's future is bleak though. The latest wave of national leaders coming through have no real vision for a renewal of the EU. As a result, its value and coherence will gradually erode and diminish over time. Thanks to this steady degeneration, we'll realise one day that the EU has ceased to be relevant and we won't be able to pinpoint the moment at which that actually happened."

So what was I left thinking?

While Yanis offered us a picture of more time, delay has been a consistent theme throughout Brexit. The two meetings over September and October gave little hope for business' pondering their next steps. The hope for any political progress could be kicked well into the New Year. One date that hasn't moved is Brexit itself and 'no deal' means no transition. As Yanis said, you need to hope for the best but plan for the worst. The best plan for any business leader has to be to marshal information: having the data on your own business that shows the size and nature of your exposure and, vitally, what your range of options are to mitigate the risks to business. Unless they can articulate the size and nature of the risks, it's impossible to decide whether it is worth it, or to justify the expense to your boards.

Join the conversation

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