Both would rather agree, because a deepening of the Greek crisis would be bad for Europe’s and the world’s economy. But both may also feel less pressured to do so, because the EU economy is recovering slowly and a Greek meltdown isn’t seen as threatening the existence of the eurozone as it did five years ago.

In terms of their own relationship, the two women leaders see eye to eye on most European issues, and they have had a good personal chemistry ever since the four years Lagarde spent as finance minister of then-French president Nicolas Sarkozy, from 2007 to 2011. Last year, according to media reports, Merkel even approached France to put forward the IMF chief as European Commission president — not hiding her lack of enthusiasm at the time for Jean-Claude Juncker, who ultimately got the job.

But the way to a mutually agreeable solution on Greece will be tortuous, even given their mutual admiration. Once — or if — a short-term deal is struck at last between Athens and its public creditors to solve the country’s immediate cash crunch by the end of June, attention will turn to the country’s long-term financial needs.

The only sensible way to deal with the problem is to make Greece’s debt sustainable — in exchange for sound economic policies in Athens. The IMF’s experience of the previous bailouts, in 2010 and 2012, has been bitter. So the fund is reluctant to throw money into the ring again. Merkel, on the other hand, leads a group of eurozone governments that see IMF participation as a pre-condition to further aid.

This will be a high-stake game of international politics between the two leaders, and Lagarde, in particular, is walking a fine line. If she wants another five-year term after her current one expires in July 2016, she has to listen to the IMF’s board, where representatives of emerging economies have long balked at bailing out a European country richer than they are. More seriously, said an IMF insider, “the emerging powers feel that the time has come for one of them to head the fund, instead of a European as has always been the case. The Greek bailouts have given them yet another reason.”

The first skirmishes of the confrontation have already occurred. Reports that an IMF official asked eurozone governments to extend further debt relief to Greece were quickly slammed by German Finance Minister Wolfgang Schäuble earlier this month.

“The IMF of course didn’t make such a comment,” he insisted.

But if the fund didn't formally ask, it might well have, as that would be in line with its policy over the last five years. The IMF's view is that the current path of Greek debt is unsustainable. What explains the fund's staffers' bitterness is that most of the IMF's rules had to be bent and twisted to allow it to participate in the 2010 and 2012 bailouts. Greece has borrowed — to the tune of €35 billion — much more than would be permitted under the IMF's statutes.

At the heart of the IMF's analysis is both a continuing concern about the sustainability of Greece's current debt burden and the admission that its previous forecast were much too rosy. "The IMF credibility has gone down hugely over Greece," said Gabriel Sterne, head of global macro research at Oxford Economics and a former IMF economist. "They projected that debt could come down to 120 percent of gross domestic product by 2020. That will not happen." Greece's public debt currently stands at 175 percent of GDP, almost twice the average level of the eurozone.

The original plan was for Greece to shrink its debt by booking a sizeable fiscal surplus of about 4.5 percent of GDP from next year on, before interest payments. That was controversial to begin with, because it would force Greece into years of debilitating austerity, compromising the very goal it is supposed to achieve. The only real way to cut down debt, after all, is economic growth.

But now "everyone knows that a massive fiscal surplus will be impossible to achieve," notes Christian Odendahl, chief economist at the Center for Economic Reform. "The Greek projections were optimistic before Syriza came to power. They're unrealistic now." Instead of a surplus, Greece is on track to book another budget deficit this year, adding to the pile of debt.

Hence the calls for debt relief. In 2012, Greece's private creditors had to accept a restructuring, which now leaves Athens indebted mostly to its eurozone partners, the European Central Bank and the IMF. "European governments don't want to explain … that they'll never see again the money they lent to Greece," noted a former European member of the IMF board. "So instead of a straightforward operation — such as debt forgiveness, say you cut Greece's debt in half — it will have to be 'extend and pretend'."

Meaning: Lowering interest rates yet again, and extending the maturity of the debt. That was already done in 2012. It could be pushed even further. "And it's easy for the IMF to ask for. Its own loans wouldn't be affected since it always gets paid back in full as senior creditor," the fund insider says.

The result of “extend and pretend,” noted Ashoka Mody, professor of international economic policy at Princeton and former deputy director of the IMF’s European department, is in economic terms the same as debt forgiveness. “The main goal is to stop the debt/deflation spiral.” Politically, however, it would allow Merkel and leaders of other countries where bailout fatigue is acute to massage the news.

The question still remains: how big a debt relief? And under which conditions? Part of the answer will be provided if Greek Prime Minister Alexis Tsipras agrees to sign a “cash against reforms” deal with the rest of the eurozone by the end of June. Then Berlin, Paris and other capitals will want a system to ensure that Athens complies with its end of the bargain. That was one of the reasons Merkel insisted on bringing the IMF in back in 2010: the fund has the expertise in monitoring multi-year economic plans, and also in taking the flak for unpopular austerity programs.

But the IMF might simply refuse to play ball this time. Its own lending program to Greece doesn’t end until mid-2016, coincidentally the moment Lagarde would be up for reelection. “At some point the fund will have to debate and reach a decision on what its role in Europe should be,” said Mody. Furthermore, noted Sterne, comparing the situation to 2010, “Europe is not about to fall apart at the moment, so the pressure to act won’t be as big.”

If it strikes a deal with its creditors in the next few weeks, Greece will still have to pay back almost €5 billion to the IMF, and €6 billion to the ECB by the end of the year. This is a country heading back towards recession after the first four months of the Syriza government, and struggling every month to pay some €1.7 billion in public sector salaries. If Tsipras finally decides to tackle the Greek economy’s structural flaws, he will have to trust Lagarde and Merkel to show him a way from under the country’s debt burden. That will not happen — and the si