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# Papandreou brinkmanship may be step too far

By Kerin Hope in Athens

George Papandreou's plan to hold a public referendum on the country's latest bail-out by international lenders is a last-ditch attempt to unify his quarrelling socialist party and defuse mounting pressure to hold a snap election, his supporters say.

But it looks now as if the Greek premier's latest display of brinkmanship may bring down his government, and could even hasten the end of his political career.

The prime minister's declaration on Monday that the Greek people should be allowed to decide whether to adopt a new three-year austerity package in return for a debt writedown and fresh loans has been rejected by left- and rightwing political leaders alike.

Two more defections from the Socialist parliamentary group on Tuesday and the threat of a third suggest they may lose Friday's vote of confidence, triggering the early poll that Mr Papandreou was seeking to avoid.

"This was a desperate strategy to keep the government afloat for the next few months while the bail-out arrangements were completed. But it has backfired badly," said one senior socialist.

Adding to the sense of crisis in Athens, in a surprise move defence minister Panos Beglitis sacked the armed forces chiefs of staff. A defence ministry source told Greek media that the changeover had been discussed last month, and the officers concerned had served for the usual term.

Antonis Samaras, the conservative opposition leader whose New Democracy party holds a strong lead in opinion polls, was quick to exploit the government's vulnerability, demanding a snap election on Tuesday.

Alexis Tsipras, the leader of the leftwing Syriza party, which is accused by the socialists of fomenting violent anti-austerity protests, made a similar demand.

"The [referendum] announcement is a desperate and risky response to growing pressure by dissenters within his party to unveil 'political initiatives' to ease social and political tensions in the country," Wolfango Piccoli, analyst at Eurasia Group, said in a note on Tuesday.

The prime minister has battled for months to persuade Socialist lawmakers and party members that successive austerity packages agreed with the European Union and International Monetary Fund are essential to modernise Greece and create conditions for economic recovery.

Parliament last week approved a fresh round of fiscal and structural reforms, opening the way for Greece to receive the next €8bn tranche of its current loan.

But several Socialist lawmakers, among them Vasso Papandreou, self-appointed leader of a dissident faction, warned that it was the last time they would back such harsh measures.

“Even if the government survives the confidence vote test, it is unlikely to secure the necessary majority to approve other important pieces of legislation on the agenda, including the 2012 budget and a new tax system,” Mr Piccoli said.

Without endorsements by parliament, Greece’s creditors will not be able to release further tranches from last year’s €110bn bail-out or complete the new package.

Adding to Mr Papandreou’s problems, he also faces the possibility of a “palace coup” led by Evangelos Venizelos, the finance minister and deputy prime minister, who scarcely bothers to conceal his ambition to take over the top job.

Mr Venizelos distanced himself from Tuesday’s political turmoil by retreating to a private Athens clinic, reportedly suffering from a stress-related stomach ailment. Doctors told Greek state television it did not appear to be serious.

From his hospital bed, Mr Venizelos telephoned Wolfgang Schäuble, his German counterpart, and Joseph Ackermann, the head of Germany’s Deutsche Bank, who represents private sector holders of Greek debt, keeping them abreast of developments in Athens, aides said.

He also openly challenged Mr Papandreou’s authority for the first time, telling Greek media that the prime minister should have sent letters to other eurozone leaders informing them of his plan to hold a referendum.

Mr Venizelos was expected to leave hospital on Tuesday and take part in the opening session of the confidence debate, while Mr Papandreou was due to attend the G20 leaders’ summit in Cannes on Thursday.

“That could be a dangerous absence on the part of the prime minister,” said one former socialist cabinet minister.

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