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# Greek referendum likely to sidestep bail-out issue

By Tony Barber and Kerin Hope in Athens



Making headlines: a passer-by in Athens reads frontpage reports on the eurozone tensions on Wednesday

Greece's government plans to hold a referendum in early December on the country's role in the European Union in which voters will be asked not to approve or reject the country's next financial rescue but rather to answer a broader question centred on membership of the EU and the 17-nation eurozone.

People close to the ruling Pasok Socialist party indicated that Mr Papandreou wanted a vote on the rescue package itself, but constitutional lawyers said it would have to be on a broader national issue, indicating that it could centre on support for Greece's EU and eurozone membership.

"There have been some mixed messages but nothing's final till we see the actual question," said a source close to Pasok.

However, the prospect of a referendum has increased after George Papandreou, prime minister, rallied his cabinet behind his proposal and set his sights on winning a parliamentary confidence vote this week.

Mr Papandreou's unexpected call on Monday for a referendum, worried European policymakers about a financial market panic that could destroy investors' confidence in vulnerable countries, especially Italy, and bring the European monetary union close to collapse.

"I have no words to describe what I feel regarding Greece – a country in this kind of situation and they are making politics," a senior European official said at the G20 meeting in Cannes on Wednesday. "Not only are they putting at risk their country,

which I think is incredible, but they are putting at risk the euro area stability, and this is too much.”

But a rebellion led by a handful of Pasok members of parliament on Tuesday did not prevent Mr Papandreou from winning cabinet approval for a referendum after a seven-hour emergency session that ended in the early hours of Wednesday. The discussions, although at times acrimonious, resulted in unanimous support for the proposal, a government spokesman said.

However, the referendum will go ahead only if the government survives the confidence vote, expected to be held late on Friday. The outcome is on a knife edge, with Pasok controlling only 152 seats in the 300-member parliament and not certain that every party legislator will fall in line behind the prime minister.

The important swing votes rest with Vasso Papandreou, a former EU commissioner and Pasok veteran who is unrelated to the premier, and up to 10 like-minded legislators. She was keeping her options open on Wednesday until the outcome of the premier's meeting in Cannes with German, French and EU leaders.

The opposition New Democracy party, which leads Pasok in opinion polls and wants an early national election, strongly opposes a referendum.

“It's a colossal risk, coming at a time of worsening unemployment and economic hardship in general. People may lash out with a No vote or just turn their backs,” said a person close to the New Democracy leadership.

According to people close to Pasok, Mr Papandreou believes that he can win a referendum by phrasing the question as a matter of Greece's destiny as a member of the European family of nations. Moderate, middle-class and fundamentally pro-European Greeks would in theory vote Yes, enabling the international financial support schemes for Greece to continue, even though the country is experiencing its worst economic crisis since the 1940s.

If the government survives the confidence vote, its next steps will be to draft the referendum question, win parliamentary approval and secure the go-ahead from Karolos Papoulias, Greece's head of state.

These three steps would need to be completed by November 18 to allow the referendum to be held on either December 11 or December 18, these people said before the earlier date of December 4 was suggested on Wednesday night.

Mr Papandreou's determination to hold a referendum has thrown into question the carefully prepared schedule according to which Greece's European partners and the International Monetary Fund were supposed to disburse €8bn in financial support over the next two weeks to avert the risk of a Greek default.

However, the prime minister is calculating that, provided he survives Friday's confidence vote, the Europeans and IMF may conclude that they have no choice but to

release the €8bn, for fear of triggering either a default or a No vote in the referendum. There is very little time for Greece and its international creditors to play with. Greece faces bond redemption and coupon payments of more than €8bn in December. In addition, some €4bn in short-term debt must be rolled every month from now to the end of January.

*Additional reporting by Peter Spiegel in Cannes*

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