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# Papandreou's future hangs in the balance

By Kerin Hope and Tony Barber in Athens

George Papandreou's political future was hanging in the balance after he tried to defuse a threatened revolt by socialist lawmakers by scrapping his controversial plan to hold a referendum on eurozone membership.

On a day of roller-coaster politics, the Greek prime minister first made, then abruptly reversed, a decision to stand down from the premiership and help form a national unity government, leaving his PanHellenic Socialist Movement perplexed and angered by the unprecedented U-turn.

One exasperated socialist deputy said: "Greece was humiliated at Cannes by the French and German leaders, now our prime minister is pretending that nothing happened."

He was referring to Wednesday night's pre-summit meeting of G20 leaders at which Mr Papandreou was castigated for undermining last week's deal on a €130bn bail-out for Greece with his plebiscite plan.

Mr Papandreou has still to win a vote of confidence in parliament on Friday in order to stay in office. The outcome is in doubt as he must first win back the support of five socialist rebels who opposed the referendum plan, wiping out Pasok's three seat majority.

The premier told an emergency cabinet meeting earlier on Thursday he was willing to open negotiations with the conservative New Democracy party on forming a national unity government to endorse the new bail-out package and take the country to elections.

Antonis Samaras, the New Democracy leader, on Thursday dropped his opposition to the bail-out plan, calling it a "historic necessity" to avert Greece's exit from the eurozone.

"There is no actual need for a referendum following the conservatives' willingness to back the October 26 bail-out package. If we have consensus, we don't need it," Mr Papandreou told the cabinet.

But the two parties appeared to be far apart on a co-operation deal. A senior conservative said an interim government of technocrats should ensure that parliament approves the new bail-out package within the next two weeks, then call an election for December.

A senior socialist said: "Mr Papandreou is in no hurry to hold an election, he's prepared to wait several more months."

Yet prolonged political turmoil would stall the economic reform programme and raise fresh doubts about whether Greece will be able to remain in the eurozone.

"We urgently need to stabilise the economy – get structural reforms moving quickly, start the deregulation process and attack the fiscal problems," said Yannis Papantoniou, a socialist former finance minister.

Yet the socialist party was still simmering on Thursday night. One senior party member said veteran hardliners were backing Mr Papandreou's desperate effort to cling to power, while younger so-called "modernisers" were making plans for a change of leadership.

Evangelos Venizelos, the ambitious deputy prime minister and finance minister, refused to back the referendum plan but stopped short of making an open challenge to Mr Papandreou, calling instead for consensus and a reinvigoration of economic reforms.

This week's upheavals have also put at risk the planned disbursement next week of a €8bn tranche from Greece's current bail-out loan.

While the country is not expected to default in the next few weeks as the next round of debt redemptions starts on December 19, the government will be unable to pay more than 700,000 public sector workers and more than 2m pensioners at the end of the month without fresh funding. It has already started postponing payments to suppliers, officials said.

Several thousand civil servants shouted anti-austerity slogans outside parliament on Thursday evening as the confidence debate resumed. Officials from their union, Adedy, said the latest round of pay cuts had reduced average public sector salaries by more than 20 per cent.

"We will send the message to the government that we have reached the limit of what we can take," a union official said.

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