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Greek party fears 'social explosion'

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By Kerin Hope in Athens and Quentin Peel in Berlin

The leader of the rightwing Laos party, junior partner in the Greek coalition government, has appealed to the European Union to ease the terms of the country's second €130bn bail-out, or risk triggering a "social explosion".

The passionate plea from George Karatzaferis came as Greek officials are scrambling to meet a deadline on Friday to restructure €200bn of debt controlled by private bondholders, an essential condition for the next rescue plan.

Mr Karatzaferis's warning raises doubts about whether he will sign up to the deal, although EU negotiators insist that all the main political parties in Athens must do so – in writing – before the next phase of the Greek rescue can be finalised.

While Laos (People's party) has only 16 seats in the Greek parliament, its anti-European line is echoed by lawmakers in Pasok, the socialist party that lost power in November but is now part of the three-party coalition headed by Lucas Papademos, Greece's technocrat prime minister. Antonis Samaras, the conservative leader, has also warned that Greece cannot take more austerity.

Mr Karatzaferis said in a letter to José Manuel Barroso, president of the European Commission, Herman Van Rompuy, president of the European Council, and all the party leaders in the European Parliament that the next round of reforms would cause economic collapse and social unrest "of a kind that Europe has not seen for decades".

"Reform cannot happen at gunpoint, especially when it requires the participation of the complex structure of an entire society," Mr Karatzaferis wrote. "It is a time bomb for the entire western world."

His move highlighted mounting concern that Greek political leaders could push the country into default by refusing to back an additional €4.4bn of spending cuts this year, to compensate for missed budget targets last year.

The so-called "prior actions" on which EU and International Monetary Fund negotiators are insisting include a reduction in the €750 minimum monthly wage, a 20-25 per cent cut in supplementary pensions and the sacking of 150,000 public sector workers by 2015.

There is little sympathy for the Greek appeals in several EU member states, including Germany, where the failure by Athens to meet its targets has caused deep frustration. Berlin wants to see much more drastic action to implement Greece's promised €50bn privatisation programme, in addition to the other "prior actions" before agreeing on the second bail-out. German parliamentarians are threatening a revolt against the Greek rescue if its conditions are not tough enough, according to Bild, the popular newspaper.

But officials in Athens are optimistic that the negotiations with private creditors will be finished soon. Poul Thomsen, head of the IMF mission, said in a Greek newspaper interview published on Wednesday: "It is a matter of days...Discussions on the programme will conclude very soon."

Mr Papademos is due to seek backing for the latest rescue package from the three party leaders before it goes to a meeting on Monday of eurozone finance ministers for their approval.

Deputies from all three parties in the Athens coalition last week voted down a measure to liberalise opening hours of Greek pharmacies, included in a bill opening up closed-shop professions.

Mr Papademos is expected to call a general election as soon as the bail-out package is in place, but many lawmakers are already trying to distance themselves from unpopular reforms.