



A PARADE OF  
CONTEMPORARY  
ART SHOWS  
SERIOUS FLASH

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PAUL KRUGMAN  
ON TAKING DEBT  
TO THE LIMIT

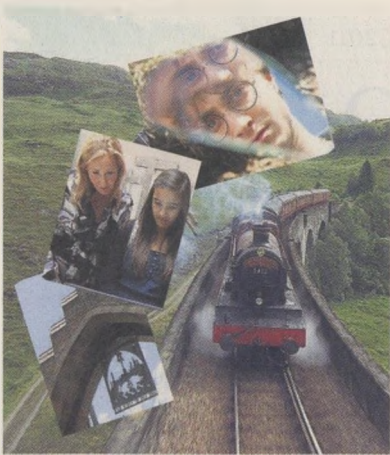
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International Herald Tribune  
WEEKEND



KATHIMERINI

INSIDE: Greece's leading newspaper | English Edition



HARRY POTTER,  
FIRING UP THE  
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WHERE TO GO  
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# International Herald Tribune

SATURDAY-SUNDAY, JULY 2-3, 2011

THE GLOBAL EDITION OF THE NEW YORK TIMES

GLOBAL.NYTIMES.COM

## Thousands take to street to reclaim a Syrian town

BEIRUT

Demonstration in Hama  
is said to be biggest in 4  
months of ongoing unrest

BY ANTHONY SHADID

In what may mark a decisive turn in nearly four months of unrest, tens of thousands of protesters gathered Friday in the central Syrian city of Hama for what activists called the country's biggest demonstration so far, returning a town that bore the brunt of a ferocious government crackdown a generation ago to the forefront of rebellion.

Estimates of the crowd were difficult to verify, and activists have sometimes exaggerated the turnout in protests challenging more than four decades of rule by the Assad family. But the scenes of protesters pouring into a central square in the city, captured by activists and circulated on the Internet and Arab satellite channels, seemed to signal a new stage in an uprising that has so far only aspired to rival the mass protests that ousted authoritarian leaders in Egypt and Tunisia.

"Leave! Leave!" protesters chanted to a hip-hop beat.

After weeks of protests and crack-down, the uprising in Syria appears to have taken a compelling, if ambiguous, turn. Diplomats speak of a stalemate, as neither protesters nor officials seem capable of mustering the strength to end the struggle on their terms. But new dynamics have emerged, as the opposition gathered in a rare meeting in Damascus this week, as government officials have promised reform and as protesters, in Hama in particular, have demonstrated a resilience that may prove impossible to break.

"It's a challenge," said a nurse and activist in the city, who gave his name as Abu Abdo. "Hama is swelling the tide of protests for the rest of Syria."

The military and security forces withdrew last month from the city, where a government crackdown in 1982 made its name synonymous with the brutality of the Syrian leadership. Since then, protests have gathered momentum. Each night, youths have converged on Aasi Square, which they have renamed Freedom Square. On successive Fridays, crowds have grown bigger, surpassing 10,000 last week, diplomats say.

Friday's scenes were even more festive; one resident compared it to a carnival. Speakers mounted cars and destroyed cars.

**QADDAFI WARNS OF ATTACKS IN EUROPE**  
The Libyan leader said "homes, offices, families," could be targeted unless NATO halted its airstrikes. **PAGE 6**

## Europe gives €12 billion to Greece to avoid default

New funds help ministers  
buy time to settle feuds  
over 2nd rescue package

BY STEPHEN CASTLE

Euro zone finance ministers confirmed Friday that they would announce the release of a €12 billion installment of aid for Greece on Saturday, buying the country time to avoid an immediate default.

As part of the announcement, the finance ministers said they would cancel a meeting planned for Sunday, when the conditions for a second bailout were expected to be decided, and hold a video conference Saturday instead.

The size of a second bailout for Greece has not yet been determined. But an official with the Austrian Finance Ministry, Thomas Wieser, was quoted by Bloomberg News on Friday as saying that Greece could receive as much as €85 billion, or about \$123 billion, in new financing, including a contribution from private investors.

Officials decided to postpone the meeting Sunday after concluding that there still existed significant disagreement among private investors about how their contributions to a second Greek rescue should be structured, according to a person who was not authorized to speak publicly.

Several diplomats and officials briefed on the talks said that tying up a second loan package by Sunday night was too ambitious, and that holding a meeting that did not produce a detailed agreement would be interpreted as a failure by the financial markets.

Without the meeting Sunday, the next opportunity to get a deal would be July 11, at the next meeting of euro zone finance ministers in Brussels.

The release of the €12 billion in aid, part of an original €110 billion bailout for Greece agreed to last year, should help the country meet its financing needs through the summer. By September, Greece will need a new rescue, which leaves only a few months for euro zone ministers to craft a package.

Olli Rehn, the European commissioner for economic and monetary affairs, said Friday that he was confident that the €12 billion would be released this weekend.

"I'm certain we now have a sufficient consensus that we can take a decision during the weekend, and on the fifth, transfer the Greek loan package," he told Bloomberg Television in Helsinki. **RESCUE, PAGE 12**

**ITALIAN DEBT MOVES FAIL TO ALLAY FEARS**  
Austerity measures passed by the government have been greeted with skepticism in many quarters. **PAGE 4**

## Case against Strauss-Kahn falters



MARIO TAMA/GETTY IMAGES/AGENCE FRANCE PRESSE

Dominique Strauss-Kahn and his wife, Anne Sinclair, leaving court Friday. Prosecutors acknowledged credibility issues with the hotel housekeeper who accused him of attempted rape.

## Left and right scramble to gauge the implications

PARIS

BY ALAN COWELL

The release of Dominique Strauss-Kahn on Friday from house arrest in New York represented a startling turnaround, sharpening the focus of political debate here on a central and potent issue: With the apparent weakening of the case against him — although the sexual assault charges remain unchanged — will he be able to resume a potentially stellar career that could lead to the presidency of France?

The question divided opinion as much among Mr. Strauss-Kahn's own Socialist Party followers as those on the right. Moments after his release, the party spokesman, Benoît Hamon, told reporters that the court's decision had come as an "intense relief."

Beyond that, the calculation likely to



LUC MOLEUX/REUTERS

Martine Aubry, the Socialist Party leader, expressed "immense joy" over the news.

absorb party strategists revolved around the degree to which Mr. Strauss-Kahn, the former head of the International Monetary Fund, had been damaged by weeks of disclosures and allegations. **FRANCE, PAGE 5**

## House arrest is revoked as prosecutors retreat

NEW YORK

BY JOHN ELIGON

Dominique Strauss-Kahn, the former head of the International Monetary Fund, was released from house arrest Friday as the sexual assault case against him moved one step closer to dismissal after prosecutors told a New York judge that they had serious problems with the case.

Prosecutors acknowledged that there were significant credibility issues with the hotel housekeeper who accused Mr. Strauss-Kahn of trying to rape her in May. In a brief hearing at State Supreme Court in Manhattan, prosecutors did not oppose his release; the judge then freed Mr. Strauss-Kahn on his own recognizance.

The development represented a stunning reversal in a case that reshaped the

French political landscape and sparked debate about morals, the treatment of women and the American justice system.

It also magnified the complex and fractious relationship among the lawyers involved in the case: After the hearing, lawyers for Mr. Strauss-Kahn praised the Manhattan district attorney, Cyrus R. Vance Jr., for "doing what is appropriate"; Kenneth Thompson, a lawyer for the housekeeper, accused Mr. Vance of being "too afraid" of trying the case; and Mr. Vance himself held a brief news conference to defend how his office has handled the case.

And although prosecutors said they still believe that a nonconsensual act had occurred in the Sofitel New York, they acknowledged publicly for the first time that the case was not as strong as initially suggested. **STRAUSS-KAHN, PAGE 5**

### BUSINESS

#### Bank of Moscow gets big rescue

The \$14.1 billion bailout of the Bank of Moscow raised worries that other Russian banks could have problems with lending over their tendency during the recession to roll over loans to struggling companies. But Russian officials characterized the rescue as a unique problem centered on Moscow. **PAGE 12**

#### UBS picks Weber for its board

UBS said Friday that it had picked the former German central bank president, Axel Weber, to join its board next year, a move that it planned to appoint him as chairman a year later. The bank was hit hard during the financial crisis, and is still trying to recover. **PAGE 11**

#### Firm bars drug from executions

Lundbeck, a Danish pharmaceutical company, said Friday that it would stop shipping a powerful drug to U.S. prisons that carry out the death penalty by lethal injection after some states began using it as a substitute for another drug that was taken off the market. **PAGE 10**



TYLER HICKS/THE NEW YORK TIMES

### WORLD NEWS

**Sliding toward war** A health worker taking cover in a bomb shelter near the Nuba Mountains in Sudan, where young men are mobilizing into militias. **PAGE 2**

#### Poland assails E.U.'s big powers

Poland took over the E.U. presidency with an attack on the pursuit of national interests by bloc's big states. **PAGE 4**

#### At 76, a Moscow heartthrob

The Texan pianist Van Cliburn still draws crowds 53 years after he won the top Soviet music competition. **PAGE 4**

### VIEWS

#### Business before freedom?

The U.S. has different policies toward rich, repressive China and bankrupt, brutal Cuba. Mauricio Claver-Carone weighs which country is more likely to emerge a democracy. **PAGE 8**

#### Give me liberty and give me...

When the American colonies won their independence, the British left behind a covert occupation force that still clings to a prosperous existence in the United States, writes Richard Mabey. **PAGE 8**

### SPORTS

#### Djokovic to face Nadal in final

Rafael Nadal defeated Andy Murray of Britain on Friday to reach the final at Wimbledon and will defend his championship Sunday against Novak Djokovic, who is taking over the top spot in men's tennis from the Spaniard whether he wins or loses. "I think every child has a dream to become something in his life," Djokovic said. "We live from those dreams." **PAGE 15**

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### CURRENCIES

NEW YORK, FRIDAY 1:30PM PREVIOUS

▲ Euro	€1=	\$1.4510	\$1.4500
▲ Pound	£1=	\$1.6070	\$1.6050
▼ Yen	\$1=	¥80.830	¥80.520
▼ S. Franc	\$1=	SF0.8480	SF0.8400

Full currency rates Page 14

### STOCK INDEXES

FRIDAY

▲ The Dow 1:30pm	12,539.55	+1.01%
▲ FTSE 100 close	5,989.76	+0.74%
▲ Nikkei 225 close	9,868.07	+0.53%

OIL, NEW YORK, FRIDAY 1:30PM

— Light sweet crude 94.45 unch.

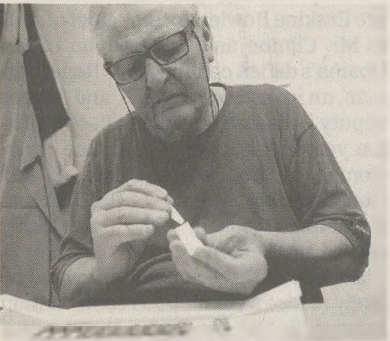


BUSINESS FINANCE ECONOMY TECHNOLOGY

Small Italian town corners market for high-end accordions

ACCORDIONS, FROM PAGE 10

pean cities. But as far as Castelfidardo is concerned, the accordion is a homegrown success story pinned to the ingenuity of Paolo Soprani, who opened his shop in 1863. Several stories told here romanticize the origins of Mr. Soprani's inspiration — including improbable references to accordion-playing soldiers who fought at the Battle of Castelfidardo in 1860, one of the definitive skirmishes against papal troops that led to the unification of Italy.



But Beniamino Bugiolacchi, director of the International Accordion Museum in Castelfidardo, dismisses such legends, saying that Mr. Soprani's major accomplishment was taking an artisanal activity and applying modern industrial strategies to increase the business. Production in Castelfidardo peaked in 1953, when nearly 200,000 units were made in dozens of factories that employed about 10,000 workers. Accordion makers in other Italian towns also did brisk business.

Today, only about 27 companies remain, mostly small businesses employing an estimated 300 people, a number that has been stable for the past five years, Mr. Bugiolacchi said. Rising production costs shifted the competitive edge to manufacturers first in Eastern Europe and more recently in Korea and China.

But the precision and skills necessary to make accordions — which require the assembly of about 6,000 pieces, if not more — were easily transferred to other industries. In the past 30 years Castelfidardo has excelled in other sectors, like mechanics, mechanical electronics and woodworking.

"The accordion now accounts for around 15 percent of Castelfidardo's" output, said Paolo Picchio, president of Consorzio Music Marche Accordions, a local consortium of manufacturers and



Armando Mengascini, left, an owner of the Beltuna factory, filing a reed. Francesca Pigni, center top, and her brother run the Pigni factory. The fitting room, center bottom, where buttons are applied. An instrument showroom, right.

promoters. "But the other 85 percent still has accordions to thank."

Apart from the manufacturers, there are also specialized companies that supply parts like the sound-making reeds or the folding bellows.

"Castelfidardo is about high quality, and we're in the high end of this market niche," said Francesco Mengascini, whose company, which he runs with his father, makes about 800 accordions a year under the Beltuna brand. It could make more, he said, but the Mengascinis do not want to sacrifice quality, so they regularly turn down work. "We're not great commercial experts, but we prefer to focus on the brand and satisfy clients."

The company exports about 95 percent of its production, he said, which



PHOTOGRAPHS BY STEFANO SCHIRATO FOR THE INTERNATIONAL HERALD TRIBUNE

facturing, where much of the production is for internal consumption, as a boon. Someday, they reason, all those young Chinese accordionists will seek out top-quality instruments.

"We're not pessimistic about the future because some young Chinese players will become professionals, and once they're looking for more important instruments where will they come? To Castelfidardo," said Mr. Picchio, the consortium president who also is the artistic director of the annual international accordion festival here, which draws hundreds of performers and fans.

One reason to be negative, other manufacturers counter, is that skilled labor is becoming more difficult to find as younger generations increasingly reject the years of training and technique required to craft accordions.

"They prefer to work in other sectors, computers being the main draw," said Vincenzo Canali, the museum's president and an accordion expert.

Mr. Canali said that financial incentives to students may be the only way to draw people back to the trade. "In any case, work will always be available," he said. "If nothing else, it's a sure job."

Ingenuity has helped to keep Castelfidardo's main industry afloat. Marco Tiranti, an accordion tuner and restorer, decided to start his own business, Euphonia, which produces about 20 accordions a year. He formed the company two years ago after patenting an innovation that creates "a warmer, sweeter sound."

Mr. Tiranti acknowledged that the market for accordions was saturated, "and if you don't have something new, it isn't worth trying."

Still, the global crisis is taking its toll, and Mr. Tiranti said that the community's pulling together may be the best way to weather a difficult economic downturn. Manufacturers, he said, could benefit from developing a coordinated approach to research and labor costs that could help invigorate the entire area.

"Small may be beautiful," he said, "but in a global market synergy may be the only way to survive."

ONLINE: KEEPING AN INDUSTRY IN TUNE  
How an Italian town became a maker of high-end accordions. [global.nytimes.com](#)

Russian regulators save Bank of Moscow

MOSCOW

\$14 billion bailout raises fears that other financial institutions are troubled

BY ANDREW E. KRAMER

Russian regulators said Friday that they had averted the collapse of one of the largest Russian banks by providing a bailout package of 395 billion rubles to Bank of Moscow, suggesting the bank's problems with bad loans were more severe than previously acknowledged.

The bailout, worth \$14.1 billion, raised the specter of balance sheet problems at other Russian banks, which had a tendency during the recession to roll over loans to struggling companies, rather than force them into bankruptcy courts.

Officials, though, have tried to characterize Bank of Moscow's portfolio of bad loans for real estate projects in the capital as a unique problem created by the former mayor of Moscow as he tried to keep politically connected developers afloat during the downturn.

The bailout, announced in a statement on the Russian central bank's Web site, will provide Bank of Moscow a 10-year loan of 295 billion rubles from a government deposit insurance program at an interest rate of 0.51 percent. The plan calls for a state bank, VTB, which recently bought equity in Bank of Moscow, to contribute an additional 100 billion rubles.

"The following measures aim to achieve stability of Bank of Moscow operations," the statement said.

Problems at Bank of Moscow are closely entangled with a power struggle in city government after President Dmitri A. Medvedev fired the long-serving mayor, Yuri M. Luzhkov, last autumn. The city government had owned 46.5 percent of the bank's stock, while the bank was also a significant lender to a development company, Inteko, that was owned by Mr. Luzhkov's wife, Yelena Baturina.

After Mr. Luzhkov's removal, the authorities have been untangling these and other business relationships in the city's highly lucrative real estate market. Until last year, Moscow had more retail real estate under development than any other city in Europe, trailed distantly by Paris.

The bank's former chief executive, Andrey Borodin, is wanted by the Russian authorities for approving a \$460 million loan that the police say ended up in the personal accounts of Ms. Baturina. Ms. Baturina and Mr. Borodin are both living outside of Russia now, though Ms. Baturina has said her months-long absence is not out of concern about possible criminal prosecution.

VTB, which is majority-owned by the national government, bought the city government's stake in Bank of Moscow for \$3.5 billion in February. It is not clear why the state bank was not aware of the balance sheet problems at Bank of Moscow before the purchase.

New funds help ministers buy time on Greece

RESCUE, FROM PAGE 1

Part of the discussions on transferring additional aid to Greece has hinged on demands by the International Monetary Fund that the European Union fill any holes in Greece's budget in the coming year.

The I.M.F. said last month that it would need such an assurance if it were to release its portion of the €12 billion of immediate aid. Countries including the Netherlands have said they would only provide guarantees for Greece if there was a credible plan for substantial private investor involvement in the second bailout.

While these issues have blocked negotiations for weeks, the passage this week by the Greek Parliament of tough new austerity measures, and plans put forth by the banks and other holders of Greek debt to roll over their holdings, are moving the discussions on a second bailout forward.

Meanwhile, several telephone conversations have taken place between Mr. Rehn and John Lipsky, acting managing director of the I.M.F., who is scheduled to take part in the video conference Saturday. Mr. Lipsky needs to make a recommendation to his board, which meets Friday.

On Friday, European officials expressed confidence that a compromise could be found that would allow the €12 billion to be released.

"We think we can come up with something which is enough to convince the I.M.F. over the €12 billion," said one official, who had been briefed on the talks, "but on the other hand a comprehensive package involving the private sector is such a tricky deal that Sunday — and possibly the 11th — is far too optimistic."

In any event, the link between the two issues suggests that the broad outlines



Tear gas lingering in central Athens after the violent protests over a new austerity plan.

sive package involving the private sector is such a tricky deal that Sunday — and possibly the 11th — is far too optimistic."

In any event, the link between the two issues suggests that the broad outlines

Athens will need a new rescue by September, leaving only a few months for ministers to approve a new package.

Calculating an amount is complicated because of the different elements that would be used in a new rescue effort.

The cancellation of the meeting Sunday may also increase criticism of the head of the Eurogroup of finance ministers, Jean-Claude Juncker of Luxembourg. He called the gathering Sunday after finance ministers failed to reach a deal at the last euro zone meeting in Luxembourg.

Meanwhile, the Institute of International Finance, a lobby group of international financial institutions, said there was broad support for the idea of participating in further aid for Greece.

"The private financial community is ready to engage in a voluntary cooperative, transparent and broad-based effort to support Greece," it said Friday.

The options include rolling over or extending bonds that mature into long-dated instruments. It was also important to consider debt buyback proposals to reduce long-term debt, the institute said.

Under a French plan announced in the past week, the private sector would reinvest at least 70 percent of the proceeds of bonds maturing before the end of 2014 into new 30-year Greek debt.

German banks indicated Thursday that they would be willing to adopt a similar refinancing plan.

Western firms mismanaged Libyan investments, report says

INVESTMENT, FROM PAGE 10

partner in September 2010, receiving \$1.4 billion in Libyan money. According to the document, the amount of Libyan state oil money managed by HSBC rose to \$1.42 billion in September 2010 from \$282 million in June 2010. The report also corroborated another document previously leaked by Global Witness, which monitors development in resource-rich countries. That document, released in May, showed that Goldman Sachs had managed about \$45 million and JPMorgan Chase about \$173 million for the Libyan regime in 2010. Société Générale and other European banks also helped the Qaddafi regime manage oil proceeds.

Under American and British law, the business relationships between sovereign wealth funds and Western banks

can be kept secret. In a statement, Global Witness called for such dealings to be made public so that citizens of oil-rich and Western countries could understand what was taking place.

"Banking secrecy laws still mean that citizens are left in the dark about how their own state's funds are managed," said Robert Palmer, a campaigner at Global Witness. "We can't continue with a situation where information about how a state handles its assets is only made available once a dictator turns violently on his own people and information is leaked."

Evidence of cronyism appears in the report as well. The state fund invested \$300 million in a Palladyne fund managed by the son-in-law of the head of Libya's state oil company, according to The Wall Street Journal.

Apple and Microsoft among victors in Nortel patent sale

BY CHRIS V. NICHOLSON

Nortel Networks, the defunct Canadian maker of telecommunications equipment, said that it had agreed to sell about 6,000 patent assets to a consortium made up of Apple, Microsoft and other technology giants for \$4.5 billion in cash.

The group of companies — which also includes EMC, Ericsson, Research In Motion and Sony — beat out Google and Intel for the patents and patent applications that Nortel had accumulated when it was one of the largest makers of telecommunications equipment in North America.

Two years after it filed for bankruptcy, Nortel sold its last remaining patents — covering businesses like wireless, networking technology and semiconductors — in an auction that it called "very robust" in a statement late Thursday.

"The size and dollar value for this transaction is unprecedented, as was the significant interest in the portfolio

among major companies around the world," said George Riedel, chief strategy officer of Nortel.

Nortel delayed the auction last month because of what it called "significant interest" and started the sale Monday. The company said it hoped to close the transaction in the third quarter.

In April, Google made a stalking-horse bid of \$900 million for the patents, some of which are related to the 4G wireless technology known as long-term evolution. Networks based on that technology, considered important to the future of telecommunications, are designed to carry large amounts of data like streamed video to mobile devices.

The Google offer was interpreted as a defensive move by the search engine giant, which is seeking intellectual property rights to shield itself from lawsuits as it moves deeper into the mobile business with its Android platform.

Kent Walker, Google's general counsel, wrote at the time of the bid that it

was supposed to "create a disincentive for others to sue Google."

"The tech world has recently seen an explosion in patent litigation, often involving low-quality software patents," Mr. Walker wrote.

Now, thousands of crucial patents are in the hands of Google's rivals, like Apple and Microsoft, both of which have shown themselves to be much more aggressive in patent litigation than Google.

On Friday, Mr. Walker said in an e-mail message that the auction's outcome had been "disappointing for anyone who believes that open innovation benefits users and promotes creativity and competition."

The sale, announced Thursday, will require approval from courts in Canada and the United States, Nortel said, as about 2,600 of the patent assets are American. A joint hearing has been scheduled for July 11.

Nortel, based in Mississauga, Ontario, was once a flagship Canadian company,

before a nearly \$6 billion loss in the crisis year of 2008 pushed it toward bankruptcy, which it filed for in 2009.

Since then, it has also sold its wireless equipment business for \$1.13 billion to Ericsson, the Swedish company that walked away with \$340 million worth of patents from the auction Thursday. More recently, Ericsson bought Telcordia, the American telecommunications network equipment maker, for \$1.15 billion.

In 2009, Nortel sold another unit dealing with enterprise solutions for \$475 million to Avaya, a former AT&T unit now owned by private equity, which filed for an initial public offering last month.

Research In Motion, Canada's most prominent technology company since Nortel collapsed, said in a separate statement that it had paid about \$770 million for patents at the auction.

The sale of patents Thursday raised more than the rest of Nortel's disposals combined.