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ORESTIS PANAGIOTOU/EUROPEAN PRESSPHOTO AGENCY

Finance Minister Evangelos Venizelos, center, in Athens on Thursday — with deputies Filippos Sachinidis, left, and Pantelis Oikonomou — said Greece would make "structural reforms."

Back from brink, now for the details

A good bank plan for Europe, but is it good enough?

FRANKFURT

BY JACK EWING

European banks may win back a measure of confidence from a plan that would compel them to arm themselves for a plunge in the value of Greek debt.

The mandatory recapitalization was one of the main achievements of European leaders' summit meeting that ran into the early hours Thursday in Brussels. But it will not be enough to erase doubts about banks' creditworthiness and restore their access to international money markets, analysts said.

The big problem is that Italy, with its dysfunctional politics and nearly €2 trillion, or around $2.8 trillion, in outstanding debt, has supplanted Greece as the biggest threat to European banks and the biggest source of investor anxiety. If Italy were to have trouble servicing its debt, no amount of fresh capital could protect the European banking system.

"Everything depends on Italy," said Lüder Gerken, director of the Center for European Policy in Freiburg, Germany. "If Italy goes under, a recapitalization won't do anything."

"Italy has to make fundamental reforms," he added. If not, "then the euro is history."

Like most of what emerged from Brussels, the plan to strengthen banks was seen as good, but not quite good enough.

The measures start to address the fragility of the European banking system, one of the core elements of the debt crisis. Continental banks generally have lower reserves than their U.S. counterparts, making them less able to absorb losses from their holdings of government bonds or other troubled assets.

As a result, many European banks have been cut off by U.S. money market funds and other wholesale lenders, and have become dependent on emergency funds provided by the European Central Bank. The recapitalization plan would compel 70 European banks to raise an estimated €106 billion by mid-2012, according to the European Banking Authority, which will oversee the drive.

2) They will be required to hold reserves equal to 9 percent of the money they have at risk. And they will be required to recognize market losses in their holdings of government bonds.

3) Banks would also get government guarantees to help them issue bonds for longer periods, though details remain to be worked out. Analysts said the guarantees were one of the most positive aspects of the plan because they would help provide banks with a steadier source of funds.

Banks can increase their reserves by hanging on to profits rather than distributing them to shareholders, or by selling assets to reduce overall risk. As a last resort, they can turn to their governments or the euro zone rescue fund. But most will do anything to avoid the government involvement and the accompanying restrictions on executive pay that would result.

"One thing goes without saying: We do not intend to make use of public

BANKS, PAGE 20

Lenders agree to take 50% loss; focus turns to Italy

BRUSSELS

BY STEVEN ERLANGER AND STEPHEN CASTLE

Nicolas Sarkozy and Angela Merkel desperately needed a deal at about 3 a.m. Thursday, but so did everyone else, cognizant that the Asian markets would open soon and that failure here, at the much ballyhooed ultimate summit meeting on the euro crisis, would be very costly.

Mr. Sarkozy wanted a "big bazooka" of money to ward off the speculators and convince the markets that the 17 countries of the euro zone were finally serious in finding a comprehensive solution to the two-year-old crisis that began with the effective collapse, amid fake economic figures, of tiny Greece, which was in fact drowning in debt.

But first they had to settle the Greece issue, and in a 10-minute meeting early Thursday, Mrs. Merkel called the bankers' bluff. The Europeans wanted the private sector banks to accept "voluntarily" a 50 percent loss in the face value of their Greek bond holdings. The banks, through their representative, Charles H. Dallara, played for less, knowing that the European leaders needed a deal, and that a disorderly default could set off a "credit event," activating credit-default swaps and frightening the market further.

But with Greek debt selling for only 40 percent of its face value, Mrs. Merkel told Mr. Dallara that if he did not accept the 50 percent cut voluntarily, it was going to happen in any case, said officials present during the tense early morning discussions. While the meeting was calm, the bankers were told to "take it or leave it," said one official briefed on the discussion who was not authorized to speak publicly on the matter. "It was a straightforward confrontation," the official said. "They were told, Either you accept this or you accept the responsibility."

Mrs. Merkel said that it was Europe's only offer and final word, and that it was presented "in an angst-free way."

That quiet ultimatum made Mr. Sarkozy nervous, and it took Mr. Dallara nearly two hours, officials said, to come back with an answer.

But the ultimatum worked. It was

EURO, PAGE 20

THOMAS COEX/AFP

Nicolas Sarkozy went on television Thursday to explain the plan to his compatriots.

BERLUSCONI'S CREDIBILITY AT ISSUE
It is not clear that the Italian prime minister has the political clout to enact necessary economic changes. *PAGE 20*

Syrian insurgents operating from Turkey

ANTAKYA, TURKEY

Ankara backs force in former ally's biggest challenge yet to Assad

BY LIAM STACK

Once one of Syria's closest allies, Turkey is the host to an armed opposition group waging an insurgency against the government of President Bashar al-Assad, providing shelter to the commander and dozens of members of the group, the Free Syrian Army, and allowing them to orchestrate attacks across the border from inside a camp guarded by the Turkish military.

The support for the insurgents comes amid a broader Turkish campaign to undermine Mr. Assad's government. Turkey is expected to impose sanctions soon on Syria, and it has deepened its support for an umbrella political opposition group, the Syrian National Council, which announced its formation in Istanbul. But its harboring of leaders in the Free Syrian Army, a militia composed of defectors from the Syrian armed forces, may be its most striking challenge so far to Damascus.

On Wednesday, the group, living in a heavily guarded refugee camp in Turkey, took responsibility for killing nine Syrian soldiers, including one uniformed officer, in an attack in central Syria.

Turkish officials describe their relationship with the group's commander, Col. Riad al-Asaad, and the 60 to 70 members living in the "officers' camp" as purely humanitarian. Turkey's primary concern, the officials said, is for the physical safety of defectors. When asked specifically about allowing the group to organize military operations while under the protection of Turkey, a Foreign Ministry official said that its only concern was humanitarian protection and that they could not stop them

TURKEY, PAGE 3

ALTAF QADRI/THE ASSOCIATED PRESS

Floodwater rushing through a Bangkok neighborhood on Thursday. Prime Minister Yingluck Shinawatra said monsoon rains had overwhelmed all containment efforts.

As water and rumors swirl, an exodus from Bangkok begins

BANGKOK

BY SETH MYDANS

With government officials saying there was nothing more they could do to protect the capital city from flooding, tens of thousands of people were fleeing Bangkok on Thursday, jamming train and bus stations and clogging the southern highways out of town — away from the floodwaters.

As water rose in outlying neighborhoods and rippled across the banks of the Chao Phraya River, the streets of central Bangkok were still dry and unusually quiet as people stowed their cars in high garages or triple-parked on highway overpasses. Their drivers crowded onto the city's elevated train and subway, which continued to function.

The level of danger to various neighborhoods was uncertain, and Bangkok is now a city awash in rumors, with grocery shelves stripped of essentials and hastily built walls of sandbags and cement guarding the entrances to shops, homes, hotels and hospitals.

Government offices, schools and a number of big shopping malls had shut down or were closing early. Some shops imposed a rationing system on their shrinking stocks of items like instant noodles, rice and eggs. In many places, food vendors and their carts had disap-

THAILAND, PAGE 8

BUSINESS

U.S. growth accelerates to 2.5%

The economy picked up in the third quarter, an encouraging sign that the recovery, while still painfully slow, had not stalled. But the pace was not brisk enough to recover the ground lost in the economic bust, lower unemployment or even completely dispel fears of another recession. *PAGE 19*

End of an era for Ericsson

Ericsson said it had agreed to sell its stake in its struggling cellphone joint venture, Sony Ericsson, to Sony for €1.05 billion. The move represents the final retreat by the Swedish company from a business it helped pioneer 20 years ago. *PAGE 19*

Disney makes leap into Russia

The entertainment giant said it would acquire 49 percent of SevenTV, a broadcast channel that reaches more than 75 percent of television households in Russia, one of the world's last big untapped entertainment markets. *PAGE 22*

WORLD NEWS

Georgia lifts Russia W.T.O. bid

Negotiators have accepted a Swiss plan that would clear Russia's path to join the World Trade Organization. *PAGE 3*

Black voters still behind Obama

The question now is whether his campaign can energize those voters despite high joblessness. *PAGE 5*

SHIHO FUKADA FOR THE NEW YORK TIMES

PAGE TWO

Evictions go upscale Yan Lianke, a writer, at his home in a gated community near Beijing. The government has given residents three weeks to move out.

VIEWS

The deaths dictators deserve

The death of a tyrant is always political, and reflects the character of his power. This was never truer than in the death of Muammar el-Qaddafi, writes Simon Sebag Montefiore. *PAGE 6*

Nicholas D. Kristof

Occupy Wall Street has found traction because the United States is now guilty of what it has accused others of practicing: crony capitalism. *PAGE 7*

COMING THIS WEEKEND

He's more than plain ol' Woody

Woody Harrelson is more beloved than revered, a status that suits him just fine. But he is about to add to a very remarkable career with his role in the police movie "Rampart."

The big business of fright

Desperate to increase their off-season revenue, theme parks around the world have turned Halloween on Oct. 31 into an ever-scarier marketing event.

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IN THIS ISSUE
No. 40,008

CURRENCIES NEW YORK, THURSDAY 1:30PM

			PREVIOUS
▲ Euro	€1=	$1.4190	$1.3900
▲ Pound	£1=	$1.6090	$1.5970
▲ Yen	$1=	¥75.800	¥76.180
▲ S. Franc	$1=	SF0.8590	SF0.8810

Full currency rates Page 22

STOCK INDEXES THURSDAY

▲ The Dow 1:30pm	12,161.82	+2.47%
▲ FTSE 100 close	5,713.82	+2.89%
▲ Nikkei 225 close	8,926.54	+2.04%

OIL NEW YORK, THURSDAY 1:30PM

▲ Light sweet crude	$92.99	+$1.84

Business WITH REUTERS

Trying to dress up an unwelcome new neighbor

VALSGARD, DENMARK

BY JOHN TAGLIABUE

NICKY BONNE FOR THE NEW YORK TIMES

Aesthetically designed pylons are visible from the fields of Norbert Baars, above, a farmer. Canadian energy experts are studying them as a way to lessen opposition to planned lines.

Norbert Baars may not know much about art, but he knows what he likes. No one is going to mistake the big 27-meter pylon, part of a power line that crosses his dairy farm in the hilly Danish countryside, for a Michelangelo or even a Calder.

"It's one big clump of metal," said Mr. Baars, 34, a Dutch dairy farmer who moved here several years ago because farmland was cheaper than in his native Netherlands.

The views of farmers like Mr. Baars are significant. With the spreading use of renewable energy sources, like wind and water power, the high-tension power lines that carry electricity to Danish cities and industries must be expanded and rerouted. As in other countries, no one wants pylons, the huge steel towers that support power lines, in the backyard.

To counter that mentality, the Danes advanced an idea about a decade ago of having industrial architects, if not artists, design new, pleasingly shaped pylons. If the pylons looked more like, for example, giant sculptures, people might like them or at least be less resistant to having them nearby. The first such line went up some years ago, running about 16 kilometers, or 10 miles, on 80 pylons. The line crosses Valsgard, a farming village of about 900 people, just south of Mr. Baars's farm.

Erik Bystrup, an industrial architect from Copenhagen, won a competition organized by Energinet, the state-owned utility that operates the energy grid in Denmark, to design the most attractive pylon. "Not just first, but second and third prize as well," Mr. Bystrup said.

"We've been trying to make pylons that are lightweight and colorful," he added. "Our message is, We're bringing you power lines with arms that reach up — with green energy."

Unlike traditional pylons, with their latticework of gray galvanized steel, the pylons over Valsgard consist of a single post, capped by a cluster of stainless-steel rods to hold wires that gleam in bright sunshine almost to invisibility.

Obviously, there are limits to the artistry of pylons. They have to be tall and carry wires a certain distance apart, and they cannot be made of expensive exotic materials.

Mr. Bystrup's design was well received by Energinet. When the company saw the need to build an even bigger line 170 kilometers up the center of the Jutland peninsula in western Denmark, it picked Mr. Bystrup's architects. Energinet chose a simple model, dubbed "Eagle," consisting of a single pole with arms reaching out on both sides like wings to support the wires. Construction of the 600 pylons, each approximately 38 meters, or 125 feet, tall, has just begun.

The idea that started in little Valsgard is now gaining traction internationally. In Britain, the Department of Energy and Climate Change sponsored a competition this year to design attractive pylons for future power lines. This month, a design by Mr. Bystrup was declared the winner over five other finalists. Canadian energy experts are studying the Danish approach to overcome objections to planned new power lines, like one from Canada to Boston through the mountains of New Hampshire.

Around Valsgard, popular feelings made a difference. "It was public pressure that influenced the architecture," said Bjarke Jensen, who is responsible for environmental protection in the Mariagerfjord district, of which Valsgard is a part. At public hearings, local farmers debated whether the proposed line would hurt the health of their families and their farm animals, as well as the effect on property values. Most people wanted the line underground, Mr. Jensen said, but the grid operator said that would be too expensive.

Despite these efforts, obstacles to beautifying the power lines linger. The use of stainless steel, which architects like Mr. Bystrup prefer to the more traditional galvanized steel, causes problems.

Stainless-steel parts on the line across Valsgard had to be repaired or replaced last year, at considerable cost, because the welds holding them together had deteriorated. Moreover, designer pylons, like designer anything, cost more. "It is much more expensive, perhaps double the price," said Christian Jensen, the project director at Energinet.

Regardless of the cost issues, people in towns like Valsgard betray a mix of skepticism and resignation. "It's always nice to have something to look at, if they can make it more pleasant," said Jens Peter Mikkelsen, 42, who set up his trading company in a disused farm three years ago. Still, he said, "I don't understand why they're not underground."

Erik Gronlund, 53, has been dairy farming in the village since 1989, when his father bought a farm there with its 50 head of cattle. He now has 180 cows, and they graze regularly in the shadow of the pylons. "Many people here in the hamlet — we said no," he said. "But the authorities said O.K."

Like most farmers in the area, Mr. Gronlund received a lump-sum payment to compensate for the decrease in the value of his property because of the presence of the pylons.

Waving a hand toward Mr. Bystrup's pylon only a few yards from his barn, he said, "It was the best we could get."

Mr. Baars tries to squeeze something positive out of the power line, noting its usefulness in navigating the area's narrow country roads at night.

"Sometimes I think, 'Oh, just follow the pylons,'" he said.

U.S. growth accelerates to 2.5% in 3rd quarter

NEW YORK

But pace still too slow to completely erase fears of a return to recession

BY SHAILA DEWAN

Economic growth in the United States picked up in the third quarter, the Commerce Department said Thursday, in an encouraging sign that the recovery, while still painfully slow, has not stalled.

Total output grew at an estimated annual rate of 2.5 percent from July to September, still modest but almost double the 1.3 percent rate in the second quarter, the department reported.

The pace, however, is not brisk enough to recover the ground lost in the economic bust, lower unemployment or even completely dispel fears of a second recession. Still, the report offered a small helping of reassurance.

"It ain't brilliant, but at least it's heading in the right direction," said Ian Shepherdson, the chief U.S. economist for High Frequency Economics, a data analysis firm. "I want to see 4 percent, but given that people were talking about a new recession, I'll take 2.5 or 3, thanks very much."

The consensus forecast of economists shows continued growth at about a 2 percent rate for the rest of this year and all of 2012. That would be an improvement over the first half of this year, but a strong recovery would require a rate closer to 4 percent. In the 25 years prior to the recession, the U.S. economy grew at about 3.25 percent a year, though demographic changes have led to lower expectations for future growth.

This economy is still putting off a flurry of mixed signals. Real income has declined, but so has the number of people filing for unemployment, a trend that continued in the number of new claims announced Thursday morning.

ECONOMY, PAGE 20

Oil giants report robust earnings

LONDON

Exxon Mobil and Shell have big exploration plans as crude prices rise

BY JULIA WERDIGIER AND CLIFFORD KRAUSS

Royal Dutch Shell and Exxon Mobil reported strong third-quarter profits Thursday, lifted by higher oil prices and stronger refining margins.

Exxon Mobil, the largest oil company in the United States, also said that its capital and exploration expenditures of $26.7 billion for the first nine months of the year was a record, as the company attempted to take advantage of the nearly 50 percent rise in oil prices from a year earlier.

Profits have been strong across the oil patch, but it may be difficult to sustain the growth this quarter.

The Brent oil benchmark price jumped nearly 50 percent during the July-through-September period from a year earlier. But oil prices have eased a bit since the spring, when turmoil in Libya removed 1.3 million barrels of crude from world markets.

Now that Libya's rebels have taken power, exports from that country are beginning to flow again.

The MasterCard Spending Pulse survey released this week showed that demand for gasoline in the United States declined 2.8 percent in the week ended Oct. 21 from a year earlier. European demand has also eased.

Exxon Mobil reported that its net income rose to $10.33 billion from $7.35 billion a year earlier. Sales in the period rose to $125 billion from $95 billion.

"We continue pursuing new opportunities to meet growing energy demand while supporting economic growth, including job creation," Rex W. Tillerson, the Exxon Mobil chairman, said in a statement.

Net income at Shell, the biggest oil company in Europe, rose to $6.98 billion in the three months through September from $3.46 billion a year earlier. Excluding one-time items, Shell's earnings per share rose to $1.12 a share from 80 cents a share. Revenue rose to $123 billion from $91 billion.

"Shell did a lot better than expected, but Exxon came roughly in line," said Fadel Gheit, senior oil analyst at Oppenheimer & Co. "Shell had higher than expected production and better than expected refining and chemical results. Exxon had lower than expected production, and lower refining and chemical results."

Shell's chief executive, Peter Voser, said in a statement, "We are making good progress against our targets, to deliver a more competitive performance.

Mr. Voser said Shell was moving ahead with its plan to focus on its most valuable assets and invest in new projects to ensure continued production.

Shell has completed $6.2 billion of assets sales so far this year, $1.8 billion of that in the third quarter, when the company sold the Stanlow refinery in Britain for $1.2 billion. Shell had planned to raise $5 billion from asset sales this year.

New projects in Qatar and Canada helped production levels, Shell said. The projects are among more than 20 new operations planned until 2014 as part of a $100 billion investment program.

The earnings for Shell beat forecasts of an average $6.61 billion of a group of analysts polled by Reuters.

On Tuesday, BP reported earnings that also beat analyst expectations and said it expected production to grow.

Clifford Krauss reported from Houston.

Ericsson bows out of cellphone business

LONDON

Swedish firm sells stake in venture to its partner, Sony, ending 10-year run

BY KEVIN J. O'BRIEN

CHRIS RATCLIFFE/BLOOMBERG

Hans Vestberg, the Ericsson chief, in London on Monday to announce the deal.

Ericsson, the Swedish phone network equipment maker, said Thursday that it had reached an agreement to sell its stake in its struggling cellphone joint venture, Sony Ericsson, to Sony for €1.05 billion, its final retreat from the mobile phone business now dominated by heavyweights like Apple, Google and Nokia.

The sale, equivalent to nearly $1.5 billion, brings a close to Ericsson's 20-year involvement in cellphones, a business it helped pioneer in the 1990s alongside Nokia, its Scandinavian rival. It had failed to gain the necessary size or to create the products to keep pace with the sector.

Hans Vestberg, the Ericsson chief executive, said in a statement that it no longer made sense for Ericsson to make both mobile networks and phones. The company, based in Stockholm, is the market leader in mobile networking equipment.

"We will now enhance our focus on enabling connectivity for all devices," Mr. Vestberg said.

Sony said the acquisition of the stake would allow it to complete its lineup of devices, which include game players, tablet and laptop computers and televisions. It said the purchase included a cross-licensing agreement with Ericsson and five patent groups relating to wireless phone technology.

"We can more rapidly and more widely offer consumers smartphones, laptops, tablets and televisions that seamlessly connect with one another and open up new worlds of online entertainment," said Howard Stringer, the Sony chief executive. Sony shares rose 5.4 percent Thursday and Ericsson gained 6.1 percent in buoyant markets after the announcement.

Sony and Ericsson combined their unprofitable cellphone businesses to create Sony Ericsson in October 2001, but the venture never became successful. The phone maker had a share of only 2.1 percent in the overall global cellphone market in the second quarter of this year, and a 4.2 percent share of the global smartphone market, according to Canalys, a research firm.

The cellphone maker has struggled financially for most of its 10-year existence, although it recently broke even.

Sony Ericsson, which makes phones running Google's Android operating system, failed to differentiate itself from other makers of Google handsets, said Pete Cunningham, an analyst at Canalys in London. Whether Sony can make the business profitable and distinctive is an open question, he said.

Carolina Milanesi, an analyst in Britain with Gartner, said it would be difficult for Sony to compete with Apple and makers of Android phones like Samsung, especially in the crucial smartphone segment.

"Sony has been trying to deliver an Apple-like experience for a long time and never quite succeeded in owning the living room and, from there, the consumer," Ms. Milanesi said.

INTERNATIONAL HERALD TRIBUNE

U.S. growth accelerates, but the rate is paltry

ECONOMY, FROM PAGE 19

The stock market has rallied but consumer confidence has fallen to levels last seen in 2008. That sentiment helped push pending sales of existing U.S. homes down for a third successive month during September, the National Association of Realtors reported Thursday.

The economy may be growing, but Americans cannot feel it.

"For most people, they're unable to really make a distinction between a recession and just 2 percent growth, which means the economy is growing so weakly it can't hire enough people to make a dent in unemployment," said Bernard Baumohl, the chief economist for the Economic Outlook Group.

The numbers announced Thursday showed a larger-than-expected increase in consumer spending, fueled by purchases of durable recreational goods like televisions. Personal spending increased by 2.4 percent, accounting for the lion's share of the growth.

But business investment, which has been strong throughout the recovery, continued to grow as well, with a 13.3 percent increase in nonresidential building and a 17.4 percent increase in equipment and software purchases.

Growth in residential construction slowed, and spending on furniture and appliances declined. Government spending stayed flat, with a reduction in state, local and federal nonmilitary spending canceled out by an increase in military spending.

The growth rate was weighed down by a meager increase in inventories, which Mr. Shepherdson said he expected would turn out to have been higher than believed. The initial G.D.P. report is based on estimates and is subject to multiple revisions.

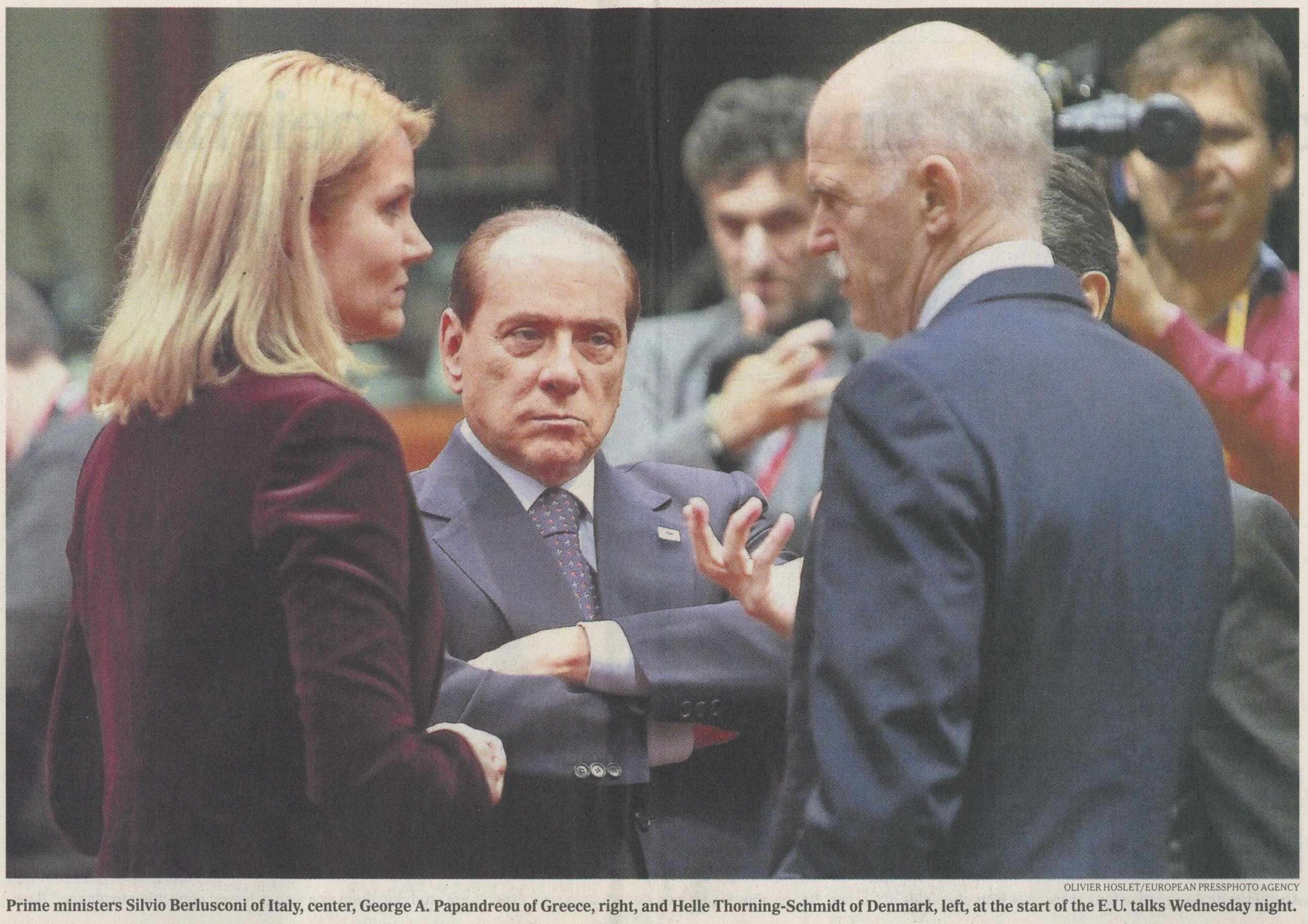
The growth that economists expected in the first part of the year was restrained by shocks like blizzards, a spike in gasoline prices and the earthquake in Japan, which disrupted the global supply chain. Those effects were fading away by the third quarter, economists said.

But other risks still loom, from Europe's debt crisis to the possibility that President Barack Obama's proposal for renewed stimulus measures, including a payroll tax cut, could fail to get through Congress.

"The better growth performance in the third quarter doesn't mean that the economy can't 'double-dip' back into recession," Nigel Gault, an economist with HIS Global Insight, wrote before the report. "But it suggests that it has more momentum than there seemed to be just a month or two ago, and underscores that the primary recession risks are from external shocks, with Europe the biggest wild card."

On the domestic front, analysts seemed to be betting that the payroll tax cut would continue, but were divided on the odds that extended unemployment benefits would be renewed. The two programs together represent spending power equal to about 1 percent of G.D.P., though some of that money may go into savings or be spent on imported goods.

Some economists fear that the third-quarter growth will be unsustainable because housing values remain low and consumers, whose spending accounts for more than 70 percent of G.D.P., have little reason to expect that their financial situation will improve.



OLIVIER HOSLET/EUROPEAN PRESSPHOTO AGENCY

Prime ministers Silvio Berlusconi of Italy, center, George A. Papandreou of Greece, right, and Helle Thorning-Schmidt of Denmark, left, at the start of the E.U. talks Wednesday night.

Berlusconi's credibility is Europe's issue

ROME

Pledges of big changes to bolster economy have rickety support at home

BY ELISABETTA POVOLEDO AND NIKI KITSANTONIS

Prime Minister Silvio Berlusconi of Italy has promised fellow European leaders a quick series of wide-ranging changes to get Italy's imperiled economy back on track, but it is not clear that he commands enough loyalty and political clout to enact them, leaving the country and thus the entire euro zone still at risk.

Whereas his Greek colleague, Prime Minister George A. Papandreou — whose collapsed economy is far less significant to overall European performance — has clinched backing for draconian measures despite fierce street protests and political wrangling, Mr. Berlusconi, who at 75 has been the dominant Italian politician for almost two decades, has watched his support slide precipitously in recent months over everything from the economy to his own trial on charges of tax fraud, corruption, abuse of office and paying for sex with a minor.

Echoing the sweeping tone of his German counterpart, Chancellor Angela Merkel, in her remarks Wednesday to the German Parliament, Mr. Berlusconi warned Thursday that Italy's credibility was on the line if the government failed to maintain its commitments, as outlined in a letter he presented Wednesday to the European Commission.

The reaction at home was skeptical. And even as Mr. Berlusconi was delivering his plans to E.U. leaders, his government lost two votes in Parliament — a signal of the tenuousness of his position.

More serious for his future, Italian media reported Thursday that a number of lawmakers from his Peoples of Liberty coalition had signed a letter asking Mr. Berlusconi to step down to allow for the creation of a government that could garner enough support to push through the proposed changes.

The letter Mr. Berlusconi presented to the commission contained a substantial checklist of measures to make Italy more efficient and competitive, stimulate growth and cut the public debt. But the broad scope of the plan, with measures ranging from scaling back the state to accelerating privatizations to loosening up labor laws, and its rigidly drawn timetable make its passage in Parliament an uphill battle.

The plan contains "commitments and dates that would be very difficult to respect," Dario Franceschini, leader of the opposition Democratic Party in the lower house of Parliament, said Thursday.

The bold-faced headline on the left-leaning daily Il Fatto Quotidiano was more blunt: "Dead Letter."

Susanna Camusso, leader of the C.G.I.L., Italy's largest trade union, said her organization would fight the proposed changes, which include changes to labor law to make it easier for financially troubled companies to fire people.

"They go in the opposite direction of what's needed to help the country grow," she said. "Giving young people a future means guaranteeing their rights, not taking them away."

Leaders of the other two main trade unions said they would strike over the proposed labor changes.

Business leaders reacted more positively. Giampaolo Galli, the director general of Confindustria, the industrialist's association, said Thursday that the plan "reaffirms Italy's strong commitment to balance the budget by 2013."

For some, it came as a surprise that Italy had managed to draft a plan of action at all. The government had been deadlocked since the summer, when the European Central Bank pledged to start buying Italian bonds on the condition that Italy would propose measures to stimulate economic growth, which has been sluggish for years.

They might have dragged on indefinitely had German and French leaders not insisted last weekend that Mr. Berlusconi come to the midweek crisis summit meeting with a plan in hand.

"All that this letter shows is that the government wasn't able to take important actions on its own," Ms. Camusso told Italian television.

"All that this letter shows is that the government wasn't able to take important actions on its own."

A visibly tired Mr. Papandreou hailed the E.U. debt deal as marking "a new day for Europe and for Greece." It calls for banks to write off 50 percent of the face value of their Greek debt, a major step toward working out an overall deal to safeguard the euro.

"We now have the chance to settle our accounts with the past once and for all, to be relieved of our burden and to enter a period of growth," Mr. Papandreou said in Brussels early Thursday after 10 hours of difficult talks. "It's a new beginning for us, but the work must not stop."

Mr. Papandreou thanked the Greek people for their "sacrifices" — a raft of tax increases and public spending cuts over the past 18 months — saying that they had staved off bankruptcy. "Without their incredible efforts, everything would have ended in May last year," Mr. Papandreou said, referring to the date that Greece was offered its first rescue package by the European Commission, the European Central Bank and the International Monetary Fund, known collectively as the troika. "We would have defaulted and would be facing tragic circumstances."

Finance Minister Evangelos Venizelos, for his part, called the deal for Greece a "historic decision" and said it deserved the support of the opposition parties in Greece who have been insisting for weeks that they would vote down a new Brussels pact in Parliament.

Outside the government, reaction was less uniformly positive. The Communist Party said the deal signaled the "slaughter of the workers," while the right-leaning Popular Orthodox Rally, known as Laos, spoke of a "national humiliation." The left-leaning coalition, Syriza, accused Mr. Papandreou of fobbing Greeks off with "tall stories."

Although Mr. Papandreou's governing Socialist party has a wafer-thin majority of three in Greece's 300-seat Parliament, it is widely expected to gain approval for the pact. Without the backing of opposition parties, however, the government's mandate to enforce the deal is expected to be questioned.

Asked about the decision for troika officials to be based in Athens permanently — unlikely to be unpopular in Greece — Mr. Papandreou indicated that the final word rested with the Greek authorities. "It is down to us to fix Greece," he said. "We should not expect others to do it."

Niki Kitsantonis reported from Athens. Gaia Pianigiani contributed reporting from Rome.

E.U. plan holds both promise and problems

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funds," Eric Strutz, the chief financial officer of Commerzbank in Frankfurt, said in a statement.

The potential losses from Greek debt are now easier to quantify, at least. As part of an agreement with representatives of banks and insurers, investors will accept a 50 percent cut in the face value of Greek bonds. Details remain unclear, but it appeared that Greek creditors would receive guarantees of some kind to protect them from further losses.

Christian Noyer, the governor of the Bank of France, said banks in that country and elsewhere in Europe can handle the 50 percent loss without problems, in most cases. Some had already factored it into their accounting. While a handful of banks in Greece will have to raise new capital, he said during an interview, Greek banks owned by Société Générale and Crédit Agricole are not among them.

Because the debt-relief plan is supposed to be voluntary, it would not trigger the payment of insurance, known as credit-default swaps, that some investors have purchased to protect against losses on Greek debt.

The swaps were in some ways a greater source of anxiety than the debt itself. Three years after American International Group required a $182 billion U.S. taxpayer bailout because of insurance it issued on mortgage-backed securities, the market for credit-default swaps remains opaque. There is a dearth of information on which companies might have insured Greek debt, and a risk that some banks or other issuers were overexposed.

The International Swaps and Derivatives Association, the official arbiter of whether a so-called credit event has occurred, said Thursday that the Greek debt-relief plan probably would not lead to debt insurance. "It does not appear to be likely that the restructuring will trigger payments under existing C.D.S. contracts," the association said in a statement, though it cautioned that it was too early to make an official ruling.

Still, much of the uncertainty that has undermined European banks remains. The size of the bank recapitalization is at the low end of expectations, raising questions whether it is big enough. French banks will need to raise about €9 billion and German banks about €5 billion. Greek banks will need the most fresh money — about €30 billion — followed by those of Spain and Italy.

Some banks, meanwhile, complain that the sums are too high, requiring them to meet regulatory standards that were not supposed to apply until the end of the decade. They complain that they will have no choice but to curtail lending and sell assets at depressed prices to achieve the required capital ratios.

"What banks would have had by 2019 they want to see in six months, at a time when capital markets are closed," said Herbert Stepic, chief executive of Raiffeisen Bank International in Vienna.

There remains a deep uneasiness among analysts and investors.

"Exposure of banks to Greek assets is not big enough to create a systemic risk," said Stephane Deo, head of European economic research at UBS. "The problem is if the market starts to panic."

Liz Alderman contributed reporting from Paris.

Merkel calls bankers' bluff with 'take it or leave it' ultimatum on Greece

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aided by the willingness of the Europeans to sweeten the deal, offering the bankers €30 billion, or $42.7 billion, in "collateral" against any future losses.

The European success, however partial, buoyed the markets and laid out the path for a more comprehensive solution to the euro crisis, including a recapitalization of vulnerable banks and an effort — still very vague — to increase the firepower of the €440 billion bailout fund, the European Financial Stability Facility, to better protect large and vulnerable economies like Spain and Italy.

But there are a series of problems that lie ahead, primarily among them Italy, which is too big to bail out, owing a total of €1.9 trillion, or 120 percent of its gross domestic product. While Italy runs a small budget deficit, the government of Prime Minister Silvio Berlusconi seems paralyzed, making promises for structural overhauls to produce growth and further shrink public spending but so far unable to deliver most of what it promises.

Market skepticism about Italy has led to high interest rates on its bonds, which, given the amount of debt Rome needs to service, will rip huge holes into its budget if unchecked. With Mr. Berlusconi hanging on to power by a thread, and with his coalition partner, Umberto Bossi of the Northern League working to block fundamental change, Italy remains a major vulnerability in restoring market confidence to the euro.

European leaders Thursday welcomed new offers made by Mr. Berlusconi, including a weak pledge to increase the age for pensions from 65 to 67 by the year 2026, but said that implementation was the key.

They have demanded such changes, along with the European Central Bank, in return for buying Italian bonds at below market rates and working to create the E.F.S.F. and now to expand it.

But the leaders were vague about how to do so and reluctant to put up more of their own nations' capital. They said they would create a special parallel fund open to investment by China, Russia and Japan — all of whom expressed a willingness to help in principle — as well as other wealthy countries with sovereign investment funds. But how such a fund would work, and what guarantees it would provide to investors, remains to be worked out next month, European officials said. But until the details are clear, there is likely to be little investment.

Also left unclear are the details of how to leverage the existing fund, by guaranteeing a percentage of potential losses by bondholders. While Mr. Sarkozy said the aim was to leverage the fund up to €1 trillion, there was no agreement on the specific percentage the fund would guarantee.

But the real drama at the summit meeting was the confrontation with the bankers, which was held in the offices of Herman Van Rompuy, the president of the European Council of nations, in the huge modern building where the meeting was being held. Others present included Christine Lagarde, the former French finance minister who runs the International Monetary Fund; José Manuel Barroso, president of the European Commission; and Jean-Claude Juncker, chairman of the euro zone finance ministers.

While they gave in, the bankers, represented by Mr. Dallara, managing director of the Institute of International Finance, praised the deal. Later Thursday, he explained that the bankers, too, were frightened of setting off a "credit event" with unclear consequences.

"We attached a great deal of significance to this being voluntary," he said. "We knew what it would take in our mind in terms of the basic elements to be voluntary. It was not at all times clear through the negotiations that all parties placed the same priority on this being voluntary," he said, an indirect reference to the German chancellor.

And both the I.M.F. and the European Central Bank, not being private, would take no "haircut" at all.

But Mr. Dallara was aware that an involuntary haircut would have taken him into uncharted territory, he said. Had Greek creditors been forced to write-off investments that would have triggered payment of so-called credit-default swaps, insurance contracts against sovereign debt defaults. That possibility, which most experts think can now be avoided, could have unleashed more panic in the financial markets.

"We felt an involuntary approach could have triggered a true calamity for Greece, for Europe and for the global economy," he said. "Greece could have been frozen out of the capital market for a generation, it could undermine the fundamental structure and coherence of the euro and most likely precipitate a recession in Europe."

Despite the success in securing the deal, banking and European officials said it was unclear how many bondholders would sign up and how the scheme constructed to entice them to take part will operate in detail.

Mr. Dallara said that the two sides did not agree on the number of bondholders who would participate, "but we believe it's very likely to be very high." Technical details should be resolved by the end of the year, added one European official, not authorized to speak publicly. Questions about the maturity of new bonds and the interest rate paid to investors probably will not be decided much before the end of the year.

But Christian Noyer, the governor of the Bank of France, pronounced himself content. "A default or credit event is definitely out of the question" now, he said. "All the decisions being taken are designed to reassure markets that will never happen."

French banks and most European banks should be fine with the haircut, Mr. Noyer said. But a handful of Greek banks will have to raise new capital or get help from the E.F.S.F.

For days the negotiation had centered on the sweeteners the banks would be offered to take the deal. The final offer involved €30 billion, which will probably be used to enable a portion of the new bonds, swapped for old Greek ones, to be backed by the euro zone's bailout fund. And there will be a continuing program of European and I.M.F. support.

But in the end, the sweeteners probably mattered less than the ultimatum. Mrs. Merkel was not going to try to defend throwing more German money into Greece just to protect the private sector.

Liz Alderman contributed reporting from Paris.

POOL PHOTO BY JESCO DENZEL

Chancellor Angela Merkel, left, with Christine Lagarde of the International Monetary Fund in Brussels. Ms. Lagarde also attended the dramatic meeting with the bankers.

KEY POINTS OF THE RESCUE PLAN

Reducing Greece's debt burden

Banks in the euro zone agreed to accept a 50 percent reduction in the value of Greek sovereign bonds they hold. This is expected to cut Greece's debt burden to 120 percent of its G.D.P. in 2020, down from 162 percent forecast for next year.

Bank recapitalization

Banks in the euro zone agreed to raise €106 billion in new capital by June 30, 2012, to increase their ratio of secure assets, also called Tier 1 capital, to total capital to 9 percent. This would help shield them against losses resulting from possible defaults on government bonds.

Bailout fund

The European Financial Stability Facility, the emergency bailout fund, would be expanded to €1 billion, or $1.4 trillion, from €440 billion by attracting outside investors and other measures to be determined.

In addition, the European Union treaty may be revised to allow for better policing of members' spending.

Remaining isssues

Persuading banks and other investors to accept the "voluntary" reduction in value of Greek debt.

More details are expected at the Group of 20 summit meeting in Cannes on Nov. 3-4.