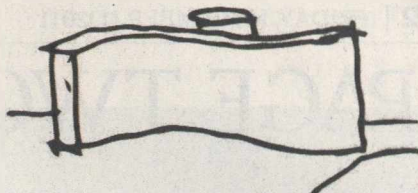




MOVIE MILESTONE
A NEW DIRECTION
AFTER 'SIDEWAYS'
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KATHIMERINI
INSIDE: Greece's leading newspaper | English Edition

SUZY MENKES
A FRESH ANGLE
ON JEWELRY
PAGE 9 | SPECIAL REPORT



International Herald Tribune

FRIDAY, NOVEMBER 11, 2011

THE GLOBAL EDITION OF THE NEW YORK TIMES

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James Murdoch in London on Thursday after his second appearance before British lawmakers investigating the phone hacking scandal. Mr. Murdoch largely held to his original account.

Murdoch son gets a tougher grilling

LONDON

News Corp. deputy chief expresses regret for things that 'went wrong'

BY SARAH LYALL

Nothing rattled James Murdoch. Not being compared to the boss of a criminal enterprise run on fear and omertà. Not being accused of being willfully blind,

shockingly uninquisitive or strangely cavalier about his corporation's money.

During two and a half hours of forensic, skeptical and even rude questioning from a parliamentary panel on Thursday, Mr. Murdoch, the 38-year-old deputy chief operating officer of News Corp., never wavered from his original account: that he learned only recently that phone hacking was widespread at The News of the World, the company's now-defunct tabloid.

He said he had never misled the committee in testimony in July. And he all

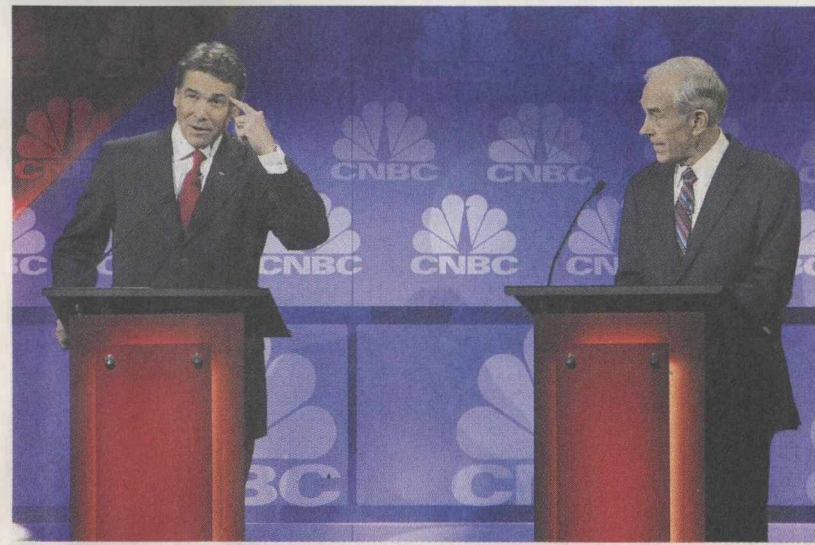
but accused two former underlings, whose accounts directly contradicted his, of lying about it.

Much was riding on how Mr. Murdoch handled the lawmakers' questioning, including his personal credibility and the health of the News Corp. media empire. The hacking scandal has tarnished the company, forced it to summarily shut down a newspaper, scuttled its \$12 billion bid to take over the satellite giant BSkyB, destroyed its symbiotic relationship with Britain's political establishment and added to the strains be-

tween Mr. Murdoch and his father, Rupert, the company's chairman.

Meanwhile, at least 16 former employees have been arrested, including two former editors of The News of the World (none has yet been charged) and a series of executives up the corporate ladder have resigned, including Les Hinton, who was chief executive of Dow Jones and publisher of The Wall Street Journal.

Throughout his appearance at the House of Commons Select Committee, MURDOCH, PAGE 5



Governor Rick Perry, left, and Representative Ron Paul during the Republican debate. Mr. Perry said he would eliminate three government agencies, but he could think of only two.

'Oops' lapse steals the debate as Republican draws a blank

ROCHESTER, MICHIGAN

BY JEFF ZELENY
AND ASHLEY PARKER

Governor Rick Perry had arrived in Michigan on a mission to get his candidacy back on track, but he left on Thursday after an embarrassing stumble in the Republican presidential debate raised questions about his candidacy and left Mitt Romney looking increasingly confident near the top of the Republican pack.

Mr. Perry survived the first hour of the debate focusing on the economy without incident, but when he said later that he planned to eliminate three government agencies in Washington to save money

and avoid waste, he listed two but then was unable to think of the third.

"Commerce, Education," Mr. Perry said before pausing for an uncomfortable moment as he looked from side to side, counting on his fingers and flipping his notes. Then a moderator asked Mr. Perry if he could name the third agency.

"The third one, I can't," he finally said, a sad look on his face. "Sorry. Oops."

The nearly minute-long lapse Wednesday night was almost immediately posted on YouTube, and political analysts declared it deeply damaging, if not necessarily fatal. One political scientist, Larry Sabato of the University of Virginia, said it was one of the worst presidential PERRY, PAGE 8

BUSINESS

Russia passes final W.T.O. test

The last step in Russia's bid to join the World Trade Organization came when the country reached a deal with Georgia tied to commerce with the breakaway provinces of Abkhazia and South Ossetia. Russia was motivated to work harder toward W.T.O. membership after witnessing China's success. PAGE 18

U.K. stands pat on interest rates

The Bank of England agreed Thursday to keep its benchmark interest rate unchanged at a record-low 0.5 percent because of growing concerns that the debt crisis in Europe could push Britain's economy back into recession. It also kept its bond-purchasing program unchanged. PAGE 18

VIEWES

America's real Iran problem

A diplomatic presence in Tehran is critical to ensuring that Washington avoids repeating the mistakes of its recent past, writes Reza Marashi. PAGE 6

SPORTS

Penn State casualty list grows

Joe Paterno, who has the most victories of any coach in major college football history, has been fired by Pennsylvania State University, and the institution's longtime president has also been removed in the wake of a sexual abuse scandal involving Jerry Sandusky, a prominent former assistant coach, and the university's failure to act to halt further harm. PAGE 15

COMING THIS WEEKEND

Romeo, ready for the big time

Anthony Santos, known to his Latino music fans as Romeo, the lead singer of Aventura, collaborates with the rappers Usher and Lil Wayne on his first solo album.

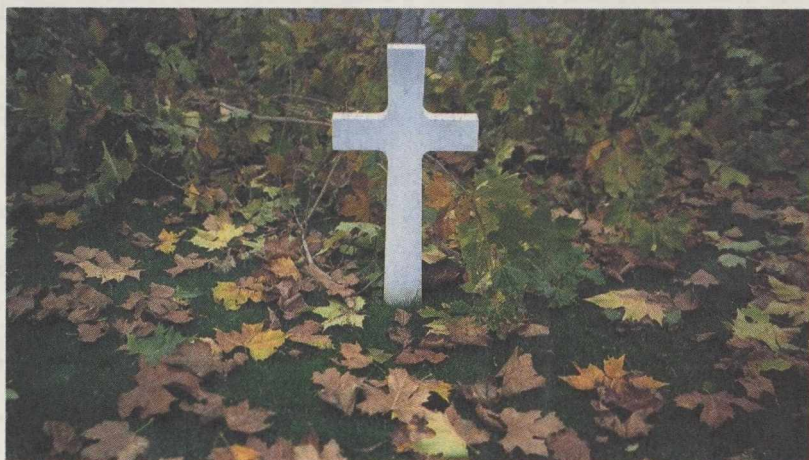
Out of the shadow of Barolo

Eric Pfanner tours lesser known vineyards of Piedmont, Italy, and finds wines, red and white, that hold their own against their more famous neighbors at more affordable prices.

WORLD NEWS

A.N.C. suspends youth leader

South Africa's governing party said Julius Malema, leader of its youth wing, brought the party into disrepute. PAGE 5



PAGE TWO

New place of remembrance President Nicolas Sarkozy of France will inaugurate a new museum on Friday, Armistice Day, commemorating World War I.

U.S. adviser on Mideast to quit

Dennis B. Ross, an influential adviser to President Barack Obama, will reportedly leave in December. PAGE 5



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CURRENCIES NEW YORK, THURSDAY 1:30PM PREVIOUS
▲ Euro €1= \$1.3620 \$1.3550
▲ Pound £1= \$1.5950 \$1.5920
▲ Yen ¥1= ¥77.620 ¥77.810
▲ S. Franc \$1= SF0.9050 SF0.9090
Full currency rates Page 21

STOCK INDEXES THURSDAY
▲ The Dow 1:30pm 11,905.33 +1.06%
▼ FTSE 100 close 5,444.82 -0.28%
▼ Nikkei 225 close 8,500.80 -2.91%
OIL NEW YORK, THURSDAY 1:30PM
▲ Light sweet crude \$98.02 +\$0.83

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PAGE TWO

Ray of hope for saving the euro



Chrystia Freeland

WAY OF THE WORLD

BUDAPEST Europeans could use a little cheering up this week. One man who is trying to do that is George Soros. He knows his way around a currency crisis, of course, and he isn't usually accused of being a Pollyanna. Mr. Soros thinks it is not too late to save Europe and the euro — but he warns that time is running out and that Europe's leaders must fundamentally change their strategy to succeed.

Let's start with the bad news. "Right now, the crisis has hit a new high, because there's an unresolved government crisis in Greece and in Italy," Mr. Soros said. "There is also a looming worsening of the financial crisis, because all the efforts to leverage the E.F.S.F. have run into legal or technical difficulties." He was referring to the European Financial Stability Facility, the bailout fund for the euro zone.

"That means that currently Europe has no ring fence against a possible Greek default, and that is what is pushing the market into a renewed panic," he said. "I expect the market to fall into despair and panic and I expect that to get worse."

Despair may indeed be the right emotion, if you accept Mr. Soros's prediction of what will happen if European leaders don't get ahead of the markets: "This crisis is potentially bigger than the crash of 2008, because we have survived the crash of 2008 and we have not yet survived this one. There is a danger if they get it wrong then you have a financial meltdown. If there is a disorderly default in Greece, and the rest of the euro zone has not been insulated from contagion, then you could have a meltdown not only of the Greek financial system, but of the European and in fact the global financial system because we are so interconnected."

So far, so dire. But Mr. Soros has two ideas that should perk you up. One is about the bazooka, and one is about the most important woman in the world.

The bazooka is the financial weapon Europe has created to defend ailing European economies from the skeptical traders who are betting against them. To end the crisis, Europe needs a bazooka big enough to convince the markets that making a wager against Frankfurt will be futile — and expensive.

Until now, the story of this financial crisis has been one of European leaders consistently being one step behind the markets: bringing a fist to a knife fight, then a knife to the gun fight — and never bringing out the bazooka. Conventional wisdom — and the verdict of the mar-

kets this week — is that the European Financial Stability Facility war chest of €440 billion, or \$600 billion, is a continuation of this pattern of insufficiency.

Mr. Soros disagrees: "It actually has the bazooka in its hand, provided it uses it in the right way."

To do that, Mr. Soros said, Europe must first acknowledge that its bazooka is too small to rescue Europe's faltering members directly. The bailout fund, he said, "was designed as a way of providing guarantees on government bonds, but for that purpose it is clearly inadequate. It cannot be stretched to cover Italy and Spain."

But the bailout fund is big enough, Mr. Soros thinks, to save Europe in a different way. "It needs to be used to guarantee the banking system," he said. "That would create a lender of last resort, which is currently lacking."

The bailout fund, he continued, could take the solvency risk, which is beyond the legal right of the European Central Bank. "And for that," he said, "there is plenty of money." Thus shored up, the banks would be able to buy the high-yielding government debt of the European countries that are currently struggling to find lenders.

Banks would be encouraged to hold their liquidity in Treasury bills, Mr. Soros said, which they could sell to the European Central Bank at any moment. "So it is the equivalent of cash, and it would yield more than cash, therefore they would hold it," Mr. Soros said. "That would allow countries like Italy and Spain during this crisis period to borrow at negligible cost."

His plan, Mr. Soros said, would make Italy's debt "sustainable, because the E.C.B. has any amount of money for the purpose of providing liquidity. At the same time, it would not violate the law against the E.C.B. directly financing the governments."

Mr. Soros's plan is essentially a way to get around Europe's fundamental economic flaw — it has a single currency, but no lender of last resort: "It's a trick, but a trick that would work."

The European crisis has metastasized because Germany has been adamant about blocking precisely this sort of trick. The second reason for Mr. Soros's relative optimism is his conviction that Germany and its leader, Chancellor Angela Merkel — the aforementioned most important woman in the world — have recently had a crucial change of heart.

"It is entirely in the hands of Germany," Mr. Soros said. "Angela Merkel's attitude has changed. She recognizes that the euro is in mortal danger and she is willing to risk her political future to save it. I think she recognizes that Germany has caused the crisis to get out of control, and she is now determined to correct that."

Mrs. Merkel is very good at getting what she wants, so fans of Europe and the euro should be somewhat reassured by Mr. Soros's verdict. But only somewhat. Mr. Soros is a persuasive salesman of his plan to rescue Europe, but his most telling remark comes when I ask him what he would do if he were still actively trading.

"I would be sitting on the fence like everybody else, because the situation is so uncertain."

Chrystia Freeland is global editor at large at Reuters.

E-MAIL: pagetwo@iht.com
TOMORROW: Alan Cowell on Europe's crisis of expectations.



Final preparations for the opening Friday of the Musée de la Grande Guerre near Meaux, France. Nearly all the exhibits are from the collection of one man, Jean-Pierre Verney.

New place of remembrance

CHÂTEAU-THIERRY, FRANCE

Collection of artifacts from WWI, the work of a lifetime, goes on display

BY STEVEN ERLANGER

Some of the last American doughboys of World War I to be identified were found just a few years ago, buried in a vegetable garden in this little town, wine bottles clasped in their crossed arms. They had died of their wounds in a field hospital set up in the adjoining farmhouse.

Because dog tags rusted so quickly, soldiers created their own unofficial method for future identification — they wrote a note identifying the dead, with the date and manner of death, and two comrades of higher rank signed it, as witnesses. They then stuck the note into an empty bottle, corked it and buried it in the arms of the corpse, said David Atkinson, superintendent of the sweeping Aisne-Marne American Cemetery, where the battle of Belleau Wood was fought, sacred to the U.S. Marines.

Estimates vary, but about 10 million soldiers died in World War I. More than 116,500 were Americans, dying in less than six months in the slaughter that was supposed to be the war that ended all wars. In this region of France, today a lush, rainy carpet of fields and hills, roughly 300,000 soldiers were killed or wounded in less than four months, 70,000 of them American, from June 1918 onward. They were vital to the successful effort to block the Germans from advancing on Paris, about 100 kilometers, or 60 miles, away.

The battle here is considered to have been crucial, marking the end of a string of German conquests and the failure of Germany's push for victory before the American Army arrived in full strength.

The American cemetery at Belleau, and another nearby at Seringes-et-Nesles, known as the Oise-Aisne American Cemetery, which is laid out like an open-air cathedral, together contain more than 8,000 American graves. The headstones of white Italian marble are set in ranks, like a parade formation of the dead. Many of the names — like Mike Zlotchka, a private from Michigan who died on Sept. 23, 1918, and Cataldo Carletta, a private from Pennsylvania, who died on July 16, 1918 — were European in origin. At least 18 percent of the



Aisne-Marne American Cemetery, at the site of the battle of Belleau Wood. Of the estimated 10 million soldiers who died in World War I, about 116,500 were Americans.

American soldiers who fought in World War I were not born in the United States, Mr. Atkinson said; many were first-generation immigrants from Europe who returned here to fight and die.

All the dead will be mourned on Friday, celebrated in most of Europe as Remembrance Day or Armistice Day, to mark the end of fighting on the 11th hour of the 11th day of the 11th month of 1918. But on 11/11/11, which marks no special centennial, there is still an unusual resonance.

President Nicolas Sarkozy of France will devote much of his day to commemorations honoring Georges Clemenceau, France's wartime leader, and Charles Péguy, the beloved poet who died near here in the first battle of the Marne. "Everything begins in mysticism and ends in politics," Péguy once wrote, and Mr. Sarkozy will also come on Friday to nearby Meaux, to inaugurate a new museum, Le Musée de la Grande Guerre (the Museum of the Great War), a 7,000-square-meter, or 75,000-square-foot oblong devoted to the historical artifacts of the war, near an American memorial statue called "Liberty in Distress," erected in 1932.

Nearly all the artifacts were amassed by Jean-Pierre Verney, 66, the grandson of a German woman, who became fascinated by the war. Inspired by the tales of veterans, he began buying from flea markets and auction houses. He became obsessed, selling "my wife's fur-

niture and jewels," he said.

But in the 1970s, he said, "people weren't interested and the state was cautious." He proposed displaying his collection at various museums and got no answers. But in 2004, at a commemoration of the battle of the Marne, he met the mayor of Meaux, Jean-François Copé, who now runs Mr. Sarkozy's party.

A foreign museum had offered Mr. Verney €2 million, or \$2.7 million, for his collection, but he wanted to keep it in France. Mr. Copé arranged to buy it for €600,000 with the promise of the museum. Only some 5 percent of Mr. Verney's 50,000 pieces will be displayed — uniforms from more than 30 nations, guns, canteens, call-up notices, weapons, ammunition, grenades, gas masks and protective suits, prostheses, patriotic knickknacks, art made by



bored soldiers out of shells and ammunition. There is a Browning FN 1910 pistol of the same type (and a sales catalog for the gun, which cost 42 francs) that Gavril Princip used to assassinate Archduke Franz Ferdinand and his wife in Sarajevo and, courtesy of the state, a 1917 Renault tank, a truck that housed carrier pigeons, and two warplanes, the fragile Blériot XI and a Spad XIII biplane.

There is a re-creation of a French trench and a German one with no man's land in between, and time to provide historical context of the years between 1870 and the end of the Great War.

The museum, with workers racing to finish in time for Mr. Sarkozy and the public, cost €28 million, divided between state and regional authorities. Some €3 million came from corporate contributors, including Disneyland Paris, only about 15 kilometers away, with which the museum expects to form a tourism partnership.

The organizers expect up to 100,000 visitors a year; the memorial at Verdun gets about 200,000 a year. Interest remains high; Michelin is publishing two World War I battlefield guides on Friday, for this area and for Verdun.

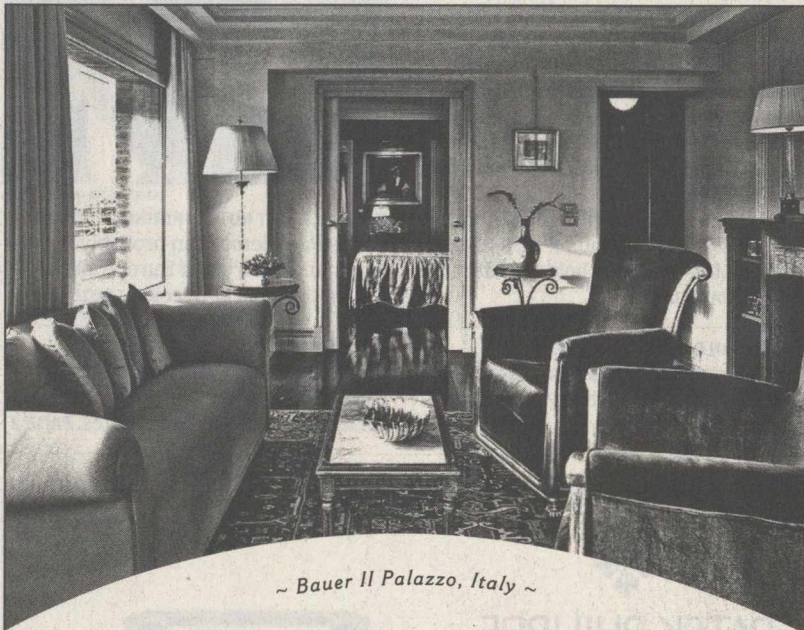
On Saturday, in nearby Fère-en-Tardenois, there will be yet another memorial dedicated in the region — a bronze statue on a plinth in honor of the soldiers of the U.S. 42nd Infantry Rainbow Division who died in the battle of Croix Rouge Farm in July 1918. Sculpted by James Butler, a Briton, the statue depicts an American soldier carrying a dead comrade. The memorial was the gift of an Alabamian in the name of his father, Sgt. William Johnson Frazer, wounded in the battle, which featured a bayonet charge by the 167th Alabama regiment.

As for Mr. Verney, what interests him is the human story of the war, especially now that the last serving soldier is thought to have died. So he was stung the other day when a well-known French historian of World War I, Annette Becker, dismissed him as "a handyman who has amassed bric-a-brac, with no historical legitimacy."

Mr. Verney responded, "Despicable," and said: "I am not a collector: I'm a farmer, I made a furrow and I drew it myself, with difficulty."

Now, with the museum a reality, Mr. Verney said, "I'm going to leave the trenches and reflect, and rest a little."

Elvire Camus and Maia de la Baume contributed reporting.



~ Bauer II Palazzo, Italy ~

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IN OUR PAGES * 100, 75, 50 YEARS AGO

1911 Chinese Killed by Imperialist Troops

SHANGHAI News of the most terrible character comes from Nanking this morning [Nov. 10]. The Imperialist troops commenced a wholesale slaughter of the Chinese inhabitants, and the details so far received by telegraph and by some survivors who have reached here make a most ghastly story. The Imperialist troops rushed through the streets, slaying every man suspected of revolutionary tendencies. Hundreds of innocent Chinese were killed because they were not wearing the queue, the emblem of submission to the Ching dynasty. Meanwhile many of the Imperialist gunners have abandoned their positions in front of the rebel army, owing to the lack of ammunition, are deserting to the popular cause.

1936 World's Longest Bridge to Open

SAN FRANCISCO The longest bridge in the world, running across San Francisco Bay to connect Oakland with San Francisco, will be opened formally Thursday. The structure known officially as the East Bay Bridge and boasting an eight-mile stretch from tip-to-tip, was first dreamed of nearly a century ago, before engineering science was capable of giving serious attention to the feat of throwing it across water. At least 306,000 celebrators are expected to cross the bridge. They will hail the connecting of San Francisco and Oakland, and will respectfully contemplate the result of engineering skill which threw two spans across the bay, each resting on Yerba Buena Island, a central point for the general structure.

1961 Co-operate or Perish, Nehru Says

UNITED NATIONS, N.Y. India's Prime Minister Jawaharlal Nehru warned the UN today [Nov. 10] that mankind must decide whether it wants to "co-operate or perish" and it faces the choice of either "peaceful co-existence or no existence at all." The 71-year-old apostle of non-alignment told the 103-nation General Assembly that instead of trying to solve basic problems like Berlin and Germany — which he is convinced can be solved — people speak of escaping from the devastation of a nuclear war by "burrowing into the earth like rats in a hole." Instead of directing all attention to conflicts that divide the world, he said, the Assembly might resolve to declare a year of co-operation.

World News

From chaos, a premier emerges for Greece

ATHENS

Economist has little time to satisfy creditors and secure €8 billion loan

BY SUZANNE DALEY

Lucas Papademos, a respected economist, was named prime minister of Greece on Thursday to head a new unity government that has pledged to abide by the tough terms of a European aid package in the hopes of saving the country from bankruptcy.

The choice of Mr. Papademos, a former vice president of the European Central Bank, came after four days of often chaotic negotiations that put Greece's feuding political parties on full display.

Mr. Papademos almost did not get the job. Only on Wednesday evening, former Prime Minister George A. Papandreou went on television to give a farewell speech before announcing another candidate.

But some 50 members of his party, and members of the opposition as well, pressed for Mr. Papademos instead. After five more hours of negotiations Thursday morning, the president's office issued a statement that Mr. Papademos had landed the task of trying to bring Greece's economy back from the brink.

As if to underscore the problems he will face, the statistics service Elstat on Thursday reported that unemployment had jumped to a record high of 18.4 percent in August — a time when the tourism season is in full swing and the rate historically falls. The unemployment rate was 16.5 percent in July.

Mr. Papademos has only a few weeks to convince Greece's creditors, the so-called troika — the European Union, the International Monetary Fund and the European Commission — to release an €8 billion, or \$10.9 billion, loan before the country runs out of money. He will then have to turn his attention to fulfilling the terms of an even larger loan negotiated in October. Getting that loan will require yet another round of unpopular austerity measures, including lay offs.

Mr. Papademos, who has a low-key, avuncular manner, emerged from the presidential office building shortly after

the statement was issued at midday and spoke briefly with reporters, striking an optimistic note.

"The course will not be easy," he said. "But the problems, I'm convinced, will be solved. They will be solved faster, with a smaller cost and in an efficient way, if there is unity, agreement and prudence."

In the face of mounting domestic protests and building pressure from the European Union, Mr. Papandreou agreed last Sunday to step aside once a coalition government had been formed. But the parties could not seem to stop fighting long enough to settle on a candidate. With elections expected early next year, all sides were maneuvering for strategic advantages.

Mr. Papademos, however, is seen as an outsider to the old-boy networks of Greek politics — a technocrat, perhaps able to take Greece on a new path. Some analysts here have said that the political parties were reluctant to embrace him because he would be an unknown, and perhaps a rival, at election time.

News reports earlier this week said that Mr. Papademos had also set certain conditions before he was willing to take the post, which they did not like. For instance, the reports said he wanted a term of at least six months. Earlier, Greece's major political parties had agreed to new elections in just 100 days.

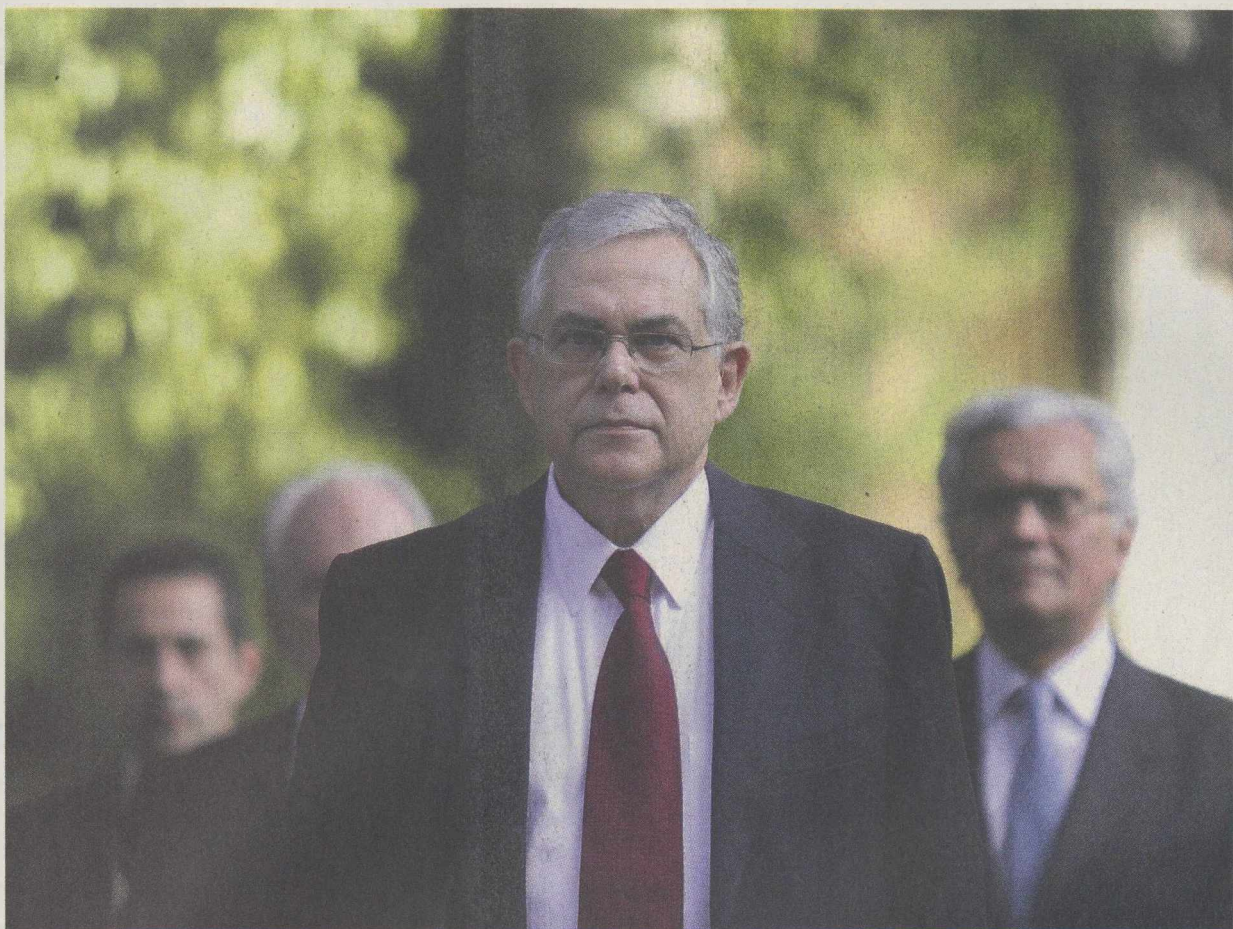
Other reports said Mr. Papademos was insisting that members of the main conservative opposition New Democracy party play a significant role in the unity government. It was widely reported that the opposition, headed by Antonis Samaras, had resisted participating, not wanting to be linked to deeply unpopular reforms with an election around the corner.

But standing outside the presidential palace, Mr. Papademos said he had not made any demands before accepting the job.

He also said the new unity government would be "transitional," and its priority would be to make sure that Greece stayed in the euro zone. "I am convinced that Greece's continued participation in the euro zone is a guarantee for the country's stability and future prosperity," he said.

It remains unclear what his cabinet might look like.

He will have to move swiftly to reas-



Lucas Papademos leaving the presidential office in Athens on Thursday after being appointed to head a unity government.

sure the country's major foreign lenders, who were shocked when, after negotiating a new €130 billion loan in October, Mr. Papandreou decided without warning to submit the bailout package to a referendum. The move infuriated European leaders and eventually led to Mr. Papandreou's stepping down.

Mr. Papademos will also have to deal with 2011 budget shortfalls and the passage of a 2012 budget that is expected to call for another round of austerity measures in a climate of growing social unrest. He also will have to be what are expected to be difficult negotiations with private sector banks that have agreed, in principle, to write down by 50 percent their Greek bond holdings as part of the rescue plan.

Whether he will succeed remains an open question. But some analysts said they considered his appointment to be Greece's best shot.

"The political parties have opened a new chapter here and that is a good thing," said George Kirtsos, a political analyst of the conservative daily City Press. "Whether it will work is hard to tell. The problems get more complicated all the time. European Union is a mess as well. Now, Italy and France. But this is a good move."

But whether Mr. Papademos will be a popular figure outside of government is less clear. His friends say he has little gift for oratory. And some Greeks have become deeply suspicious of anyone associated with banking.

Athanasia Katalianou, 50, the owner of handmade craft shop said Mr. Papademos's appointment did not make him optimistic about the future. "Papademos is a man of the memorandum," she said using a term that refers to the troika. "He doesn't care about the country, he's with the creditors and not the debtors. He's a champion of the banking system."

But others Greeks were more inclined to celebrate the changing of the guard.

Tilemachos Sideris, 52, who is self-employed, said Mr. Papademos might be just the man to put the state in order.

"I'm an optimist; I think things will go better," he said.

Niki Kitsantonis and Demitris Bounias contributed reporting.

Italy starts to look toward technocratic leadership

ITALY, FROM PAGE 1

Asked what had sped up the process, Stefano Micossi, an economist and the director of Assonime, an Italian business research group, put it simply: "The view of the precipice."

The transition had been held up by infighting among members of Italy's entrenched political class, who were anxious to preserve their power, privileges and political bases. A major break in the gridlock came on Thursday when a bloc of Mr. Berlusconi's People of Liberty party made clear it would back an emergency government of national unity led by a non-politician.

That was due largely to the quiet yet forceful maneuvering of Italy's president, Giorgio Napolitano, an 86-year-old former member of the Italian Communist Party and respected elder statesman who is now overseeing the most significant political transition in Italy in 20 years.

On Wednesday, Mr. Napolitano not only named Mr. Monti a senator for life, anointing him, but also transforming him from a simple technocrat into a freshly minted and untainted legislator. Mr. Monti was expected to appear in the Senate on Friday for passage of the aus-

"If we had had another government until now we wouldn't be under orders" of the European Central Bank.

terity measures. But even as momentum built for Mr. Monti's candidacy, it was not assured. The difficulties in Greece in naming Mr. Papademos on Thursday as interim prime minister of a unity government offered a cautionary tale.

One key unresolved question is the political formation of the likely transitional government, which will affect its ability to implement change. Many politicians do not want to be associated with passage of a tough overhaul that might reduce their power and electability.

Mr. Berlusconi and a key member of his center-right coalition, the Northern League, have insisted that they want early elections rather than allowing a technocrat to govern Italy. But with the extreme market pressures, it was looking increasingly unlikely that Italy could weather the weeks or months of instability ahead of elections. Under a hypothetical Monti government, the Northern League would become part of the opposition, as would a prominent center-left party, Italy of Values, whose leader has also called for early elections.

For its part, the center-left opposition Democratic Party — which would likely

win national elections — said that it is "absolutely ready to consider" an emergency government of national unity led by a non-political figure, the party's leader Pier Luigi Bersani, said in a telephone interview.

A centrist bloc, including Future and Liberty, a breakaway party led by the speaker of the lower house, Gianfranco Fini, and the Union of the Center, a grouping of former Christian Democrats, has also said it will back a national unity government. "If we had had another government until now we wouldn't be under orders" of the European Central Bank, Mr. Bersani added, touching on a delicate issue here.

In contrast to Greece, where greater European intervention is seen as an affront to national sovereignty, in Italy many in the ruling class see the European Union as the only force strong enough to dislodge an entrenched culture of political patronage that has grown worse under Mr. Berlusconi, in spite of his being elected three times as a reformer.

But the pressure on Italy has become too great to bear, making Mr. Berlusconi the most powerful European leader essentially ousted by market forces, rather than the complex internal logic of Italian politics.

Italy's entrenched political and patronage system, overly generous pensions and job protections, along with an excessive web of competition-killing red tape, are often cited as the primary culprits in a dismal economic record that is seen as the root cause of Italy's troubles.

In spite of the market fear, many of Italy's economic fundamentals remain strong. It is the E.U.'s fourth-largest economy and its budget deficit is a relatively manageable 4.6 percent, compared to a projected 8.5 percent in Greece in 2012. But Italy isn't growing, and is seen as needing technocratic leadership to restore its credibility internationally after the Berlusconi era.

The measures that Parliament is expected to approve this weekend include a mixture of spending cuts and tax hikes, the sale of some state real estate, including farmland, and the privatization of municipal public utilities. They would also loosen the grip of Italy's powerful professional guilds and make it easier to transfer public servants.

They also spell out tax breaks for employers who hire young people and women, and a move toward streamlining Italy's cumbersome judicial process in certain cases.

But they fall short of addressing serious pension or labor reform.

Elisabetta Povoledo contributed reporting.

Papademos is known for acumen, not for flash

FRANKFURT

New leader is considered a political outsider, but that could be an asset

BY JACK EWING

If there is a Greek alive who can command the trust of international creditors and European leaders, it is probably Lucas Papademos. But the bigger question may be whether the reserved economist, a former vice president of the European Central Bank, can win the trust of the exhausted Greek people and accomplish anything lasting in what may be little more than a cameo as prime minister.

Mr. Papademos, who was named as prime minister on Thursday, has been far removed from the hurly-burly of Greek politics, which is probably a plus, considering that Greeks' trust in their elected officials is at rock bottom.

He also enjoys credibility among key leaders at the European level, notably Mario Draghi, the new president of the European Central Bank, based in Frankfurt. The two men were classmates at the Massachusetts Institute of Technology, where both earned doctorates in economics in the late 1970s, and remain close. The connection could come in handy, considering that the E.C.B. is probably Greece's biggest creditor, with holdings of Greek bonds estimated at about €50 billion, or \$70 billion.

"Greece needs some reliable figure in the next three months, especially for the Europeans," said Dimitris Drakopoulos, an analyst at Nomura in London.

But reassuring skeptical foreigners is only part of the job that awaits the person who succeeds George A. Papandreou. It is less certain whether Mr. Papademos, who is not known as an inspiring public speaker, can lift the spirits of desperate Greeks who have endured two years of relentless austerity.

"He is a very methodical person and a very reserved and cautious person," said Michalis Haliassos, a professor of economics at the University of Frankfurt who knows Mr. Papademos. "He is not the type of person to go out on the balcony and address the masses."

"But maybe this is what is needed right now," Mr. Haliassos said, adding that the Greek people "have had too many speeches. What is needed now is much more emphasis on reason."

Serving as prime minister will be a sharp departure for Mr. Papademos, 64, who has spent his entire career either teaching economics, including a decade

"He is not the type of person to go out on the balcony and address the masses. But maybe this is what is needed."

at Columbia and most recently at Harvard, or as a central banker. He was governor of the Greek central bank from 1994 to 2002, then became vice president of the E.C.B. In Frankfurt, he was known as modest and accessible, but also such a perfectionist that he sometimes tested the patience of those who worked with him.

At the E.C.B.'s monthly news conferences, Mr. Papademos left the limelight entirely to the president at the time, Jean-Claude Trichet. Mr. Papademos's contributions during his eight-year term were mostly invisible to outsiders. For example, he was a key figure in negotiations to create a panel that has broad authority to monitor the European economy and financial system and to sound the alarm if there are problems.

At the central bank, Mr. Papademos stuck to the official line that Greece should repay its creditors in full and cut public spending to get its deficit under control. It will be difficult to cling to that position as prime minister. Austerity has contributed to a savage economic downturn, and the country's private creditors agreed last month to accept just half the money they are owed.

The E.C.B. is not taking part in the debt relief, which at the end of the decade would still leave the country owing 120 percent of annual economic output. Mr. Papademos could win the gratitude of the Greek public if he persuaded Mr. Draghi to contribute to a further reduction.

Mr. Papademos will probably also have a good rapport with the troika of the E.C.B., the International Monetary Fund and the European Commission that has Greece on a drip feed of financing contingent on restructuring the economy and cutting government.

But regardless of his connections and qualifications, Mr. Papademos will have precious little time to accomplish anything, serving for a few months at most.

"As a nonpartisan technocrat he's as good as they come," said Kevin Featherstone, a professor of European politics at the London School of Economics. "But the shelf life will be relatively short."

Landon Thomas contributed reporting from Athens.

A detailed advertisement for the GrafStar Grand Date 45 O watch. The watch features a black dial with a large date window at 12 o'clock showing '08', a small seconds sub-dial at 6 o'clock, and a moon phase indicator at 9 o'clock. The dial is framed by a rose-gold octagonal bezel. The watch has a black leather strap. The background is a dark green with a geometric, low-poly pattern. The Graf logo is prominently displayed at the bottom center, with 'GENOVA' written below it. The text 'G R A F F' is spread across the bottom. A small triangle points to the watch with the text '▲ GrafStar Grand Date 45 O'. At the bottom right, there is a small logo for 'THE QUALITY BRANDS OF INTERNATIONAL 2010'. On the bottom left, vertical text reads '© GRAFF FRAUNHOFER 2011'.

Views

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THE TRUTH ABOUT IRAN

The International Atomic Energy Agency's new report leaves little doubt about Tehran's nuclear ambitions.

Tehran was in full dudgeon on Wednesday, denouncing the International Atomic Energy Agency — calling its top inspector a Washington stooge — after it reported that Iran's scientists had pursued secret activities “relevant to the development of a nuclear device.” The agency did not back down, and neither should anyone else.

The report is chillingly comprehensive. It says that Iran created computer models of nuclear explosions, conducted experiments on nuclear triggers and did advanced research on a warhead that could be delivered by a medium-range missile.

What gives the report particular credibility is its sourcing. The agency's director, Yukiya Amano, built a case on more than a thousand pages of documents, the assistance of more than 10 agency member states and interviews with “a number of individuals who were involved in relevant activities in Iran.”

The United Nations Security Council — particularly Russia and China, which have been shielding Iran — has no more excuses. It needs to quickly impose a new round of even tougher sanctions on Iran, which is also enriching uranium five years after the Council ordered it to stop. Russia, which is still doing a lot of business with Iran, ruled out more sanctions, saying they would be seen as an “instrument for regime change.” China said it would study the report. The enrichment program is having technical problems, and sanctions are making it harder to import materials. But not hard enough.

We're not sure any mix of sanctions and inducements can wean Tehran of its nuclear ambitions. We are sure that an attack would be a disaster — and the current saber-rattling from Israel should make everyone nervous. A military strike would not set back Iran's program for long. It would rally Iranians around their illegitimate government. And it would produce a huge anti-Israeli and anti-American backlash around the world — whether or not Washington had tried to stop it.

The last round of sanctions was approved 17 months ago. Since then, Russia and China have balked at further penalties while stalling on implementing those already approved. So long as that enabling continues, Iran will keep pushing its nuclear program forward.

BACK TO COMMON SENSE

In state after state, the extreme agenda of Republican lawmakers has been rejected by weary voters.

It might have been “too much too soon,” a chastened Gov. John Kasich of Ohio admitted on Tuesday night, after his state's voters overwhelmingly rejected his attempt to break public employee unions. He certainly was right about “too much,” an analysis that also applies to other examples of Republican overreach around the United States: an anti-abortion amendment in Mississippi, a voting restriction in Maine, the radical anti-immigrant agenda of a politician in Arizona.

These policies, and similar ones in other states, were passed by a Tea Party-tide of Republicans elected in 2010. Many of them decided that they had a mandate to dismantle some of the basic protections and restrictions of government. They went too far, and voters had to drag them back toward the center.

As a result, Tuesday brought an overdue return of common sense to government policy in many states. Many voters are tired of legislation driven more by ideology than practicality, of measures that impoverish the middle class or deprive people of basic rights in order to prove some discredited economic theory or cultural belief.

That was most evident in Ohio, where voters overwhelmingly repealed a law pushed through last spring by Republicans to shred collective-bargaining rights for public employees. It prohibited bargaining on health benefits for state and local workers, including teachers, police officers and firefighters, and made it much harder to collect union dues or negotiate on staffing.

Many states are bleeding because of high salaries and lavish benefits, but, as New York and Connecticut have shown, it is possible to reduce them without breaking unions. The roughshod course chosen by Ohio, as well as Wisconsin and Indiana, made the real agenda all too clear: breaking the political power of public unions. Blue-collar voters in Ohio, many of whom got to the middle class through collective bargaining, understood the game.

It is not clear that Tuesday's votes add up to a national trend that will have an effect on 2012 or even the deadlock in Congress. But they do offer a ray of hope to any candidate who runs on pragmatic solutions, not magical realism, to create jobs and reduce the pressures of inequality on the middle class and the poor.

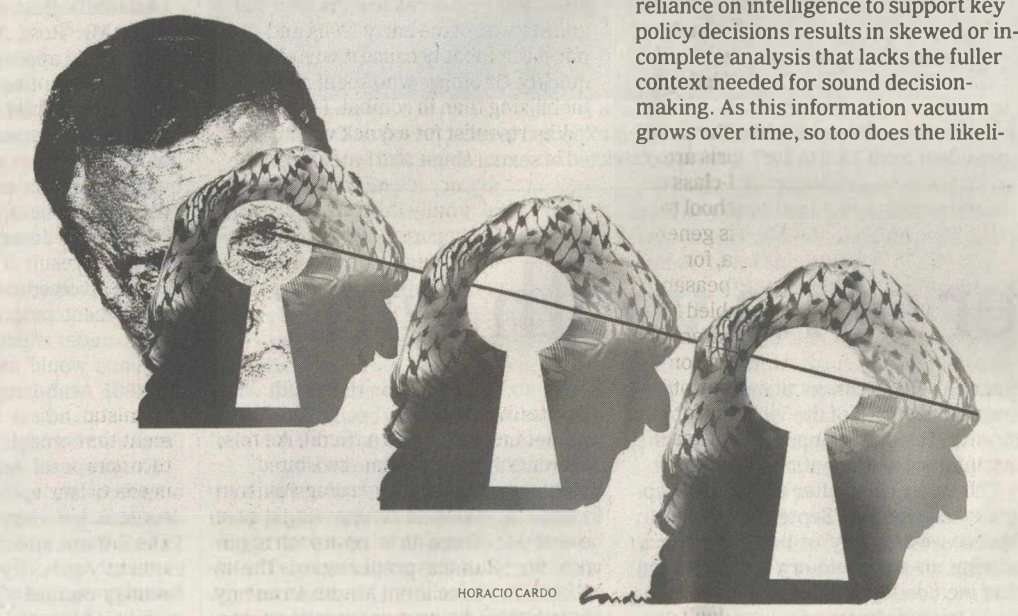
America's real Iran problem

IRAN I
A diplomatic presence in Tehran is critical to ensuring that Washington avoids repeating the mistakes of its recent past.

Reza Marashi

WASHINGTON After weeks of hyping intelligence on the military aspects of Iran's nuclear program, the Obama administration's public statements on the recently released International Atomic Energy Agency report are curiously moderate. Off the record, U.S. officials say that not all of America's intelligence findings were included in the I.A.E.A. report — which aims to reflect international consensus. This fact speaks to a larger challenge — that the United States faces a credibility problem. Key countries do not share Washington's assessment of Iran, and thus it's unlikely that the U.S. will disclose more substantial information.

Some administration officials would like to see harder evidence made public — if for no other reason than supporting calls for more “crippling” sanctions on Iran. But U.S. intelligence agencies reportedly oppose more detailed disclosures for fear of jeopardizing intelligence-gathering and sources. The U.S. is therefore unlikely to secure more robust U.N. sanctions when it makes its case to the Security Council.



HORACIO CARDO

More important but less understood, however, are two longstanding and increasingly dangerous institutional problems within the U.S. government that this case has brought to the fore: an overreliance on intelligence and underutilization of diplomatic resources when formulating Iran policy. By treating diplomacy with Iran as a reward to be earned rather than the vital national security tool that it is, American politicians have been administering a self-inflicted wound.

The recent allegations against Iran show the critical role that intelligence can play in helping policymakers gather information and make decisions on the most challenging issues. However, intelligence is not meant to be taken in isolation — and when it comes to America's Iran policy, it almost always is.

While serving in the State Department's Office of Iranian Affairs, I learned the 10 percent rule: intelligence is meant to make up approximately 10 percent of the overall information used to analyze strategic issues. The remaining 90 percent consists of embassy reporting and unclassified, open-source information.

As a whole, this symbiotic process is meant to provide a balanced, broader context to policymakers. Intelligence is supposed to be the missing piece of the puzzle — not the only piece. Overreliance on intelligence to support key policy decisions results in skewed or incomplete analysis that lacks the fuller context needed for sound decision-making. As this information vacuum grows over time, so too does the likeli-

hood of misperceptions, miscalculations and dangerous mistakes.

Intelligence is not a substitute for the critical work of diplomats on the ground — and perhaps no foreign policy issue demonstrates this more forcefully than Iran. Simply put, a vital national security process has been broken for over three decades, and American politicians are exacerbating rather than repairing it.

A diplomatic presence in Tehran is critical to ensuring that America avoids repeating the mistakes of its recent past. Inherent limitations of intelligence make the status quo unsustainable. In Iraq, an overreliance on intelligence and

America closed its embassy in Baghdad in 1991. For the next 12 years, it operated in an information vacuum.

dearth of diplomatic reporting allowed Bush administration officials to make decisions with impunity. They claimed that highly classified, raw intelligence supported their policy, but failed to conduct the standard process of integrating it into the broader context with

other reporting. Intelligence that was not properly checked for accuracy led to imbalanced analysis and disastrous decision-making.

America closed its embassy in Baghdad and severed diplomatic ties with Iraq in 1991. For the next 12 years, it operated in an increasingly injurious information vacuum. The inability to complement intelligence with diplomatic reporting led to policymakers cherry-picking raw intelligence that lacked a fuller context. As this information vacuum grew, so did Washington's misperceptions and miscalculations — to the point of choosing to launch a costly war. This proven recipe for disaster has alarming parallels to America's Iran crisis. The only missing piece is the catastrophic miscalculation at the end.

The 30-year freeze in diplomatic relations with Iran has produced a U.S. government that knows precious little about a country that is integral to stabilizing American national security interests in nonproliferation, terrorism, Afghanistan, Iraq, energy security and the Israeli-Palestinian conflict.

Still, diplomatic relations are a two-

way street. With the Iranian government operating an Interest Section in Washington, it would almost certainly have to reciprocate an American request to establish a similar diplomatic presence in Tehran — lest Iran's leaders risk appearing even more obstinate. They do care about their international image, if only to avoid greater global consensus against them.

During my tenure at the State Department, we tried twice to push the idea of sending U.S. diplomats to Tehran. Both the Bush and Obama administrations decided against it.

My former State Department colleagues are now building a cadre of Iran-focused diplomats for an eventual on-the-ground presence. Nevertheless, the 10 percent rule remains precariously imbalanced because America is trying to gauge the intentions of a country with which it has little direct contact — a situation that it rarely replicates elsewhere.

Things do not have to be this way. Diplomatic relations are not a gift to the Islamic Republic that will entrench a government with declining popular appeal. Naysayers need not look far for compelling evidence. Ambassador Robert Ford's shrewd diplomacy in Syria firmly pursued U.S. national interests, engaging with the Syrian government while also showing support for protesters seeking their universal rights — a demonstrably more effective approach than any amount of bluster or sanctions that Damascus would inevitably ignore.

Politicians like to opine on foreign policy, but they change with election cycles. Career diplomats and intelligence officials are often left to clean up the mess elected officials and political appointees leave behind. No foreign policy issue better demonstrates this self-defeating principle than Iran. The executive and legislative branches must stop politicizing diplomacy vis-à-vis Iran, and let diplomats do their job. More than any new sanctions legislation, this is how politicians can truly act in pursuit of America's vital national security interests.

REZA MARASHI is director of research at the National Iranian American Council and a former Iran desk officer at the State Department.

There's time to deal with the Iran threat

IRAN II
Tehran does not have a nuclear bomb, and nothing in the I.A.E.A. report brings the world any closer to doomsday.

Juliette Kayyem

Israel's leadership is publicly suggesting that a military strike against Iran's nuclear industry is necessary. But time is on Israel's side, and America's. The greatest risk now for the United States would be to let Israeli Prime Minister Benjamin Netanyahu's bluster make Americans impatient.

Iran does not have a nuclear bomb, and nothing in the International Atomic Energy Agency's report released Tuesday brings the world any closer to doomsday. The report is disturbing; it concluded that Iran had let up on past efforts to build nuclear weapons but, as suspected, has conducted significant work more recently. The report will help build international support for isolating Iran; that is its intent.

Yet Netanyahu's rhetoric suggests a more immediate crisis. In interviews, he has likened the current standoff over nuclear issues to the appeasement of Nazi Germany in 1938. This crisis atmosphere helps Netanyahu shore up his own tenuous political position in Israel — in part by playing on American domestic politics. The problem with this war frenzy is that it may inhibit a strategy of containment against Iran that has been working

Israel enjoys strong support among U.S. politicians of both parties — so much so that many in Congress take a much harder line on security threats to Israel than Israeli public opinion does.

A bipartisan coalition of American politicians and policymakers is now pushing the argument that, on Iran, we have no time. Though most in Congress have stopped short of calling for immediate military action, demands for “decisive action” have grown more urgent. “The clock is ticking,” the House Foreign Affairs Committee chairwoman Ileana Ros-Lehtinen said recently.

In fact, we do have time. And there are a whole host of questions that are either being ignored or dismissed. Would an aerial strike actually work against Iran, which has spent a lot of time hiding its efforts? If Israel were to strike Iran militarily, wouldn't the world view Israeli action as implicitly condoned by the United States? And what would happen after the strike?

The Israeli public is wrestling with this last point; four-fifths agree an attack on Iran would lead to war with Hamas and Hezbollah. Aerial strikes will have regional consequences as missiles from Lebanon would strike Israel. Iran would unleash violence in Iraq. There is no quick fix; as many in Israel's defense community note, a shock-and-awe aerial strategy against Iran is unlikely to solve the problem.

The United States should instead be maintaining a strong voice in international institutions that can be used to isolate Iran and buy us more time. But in a mindless game to punish the Palestinian Authority for seeking U.N. recognition, we are no longer even in the room.

Under a 1994 law, no U.N. body which admits Palestine can be funded by Washington. Period. Last week, Unesco voted to accept Palestine as a member. That seems like no big loss. But the Palestinians will seek recognition elsewhere, and a key agency in its sights is the I.A.E.A. If the United States refuses to pay dues there, we would no longer have a say in holding states like Iran accountable. Meanwhile, the House Foreign Relations Committee has proposed

legislation that would make it “illegal for any American diplomat to have any contact with an Iranian official.”

But U.S. engagement with multinationals — and even with Iran — can only help Israel's security. We are Israel's best, and sometimes only, ally.

Ironically, what might be called the BFF strategy — best friends forever — has paid off, at least up to now, in the Iranian nuclear debate.

“The U.S. has continued to communicate and consult that we are on the same boat here. That strategy is based on the correct assumption that Israel was less likely to go off on its own if it felt that its ‘BFF’ was with it and did not underestimate the (Iranian) threat,” says Shai Feldman, a Middle East scholar at Brandeis. But this view also assumed that domestic political interests in the United States would not impede the very nimbleness necessary to buy more time.

Boxing ourselves in and imposing a gag order on ourselves serves no one's interest. A military strike will be a nightmare for Israel. The United States ought to position itself in the best way possible to stop that from happening.

BOSTON GLOBE

How to leave the euro

For Greece, returning to the drachma offers a better chance of economic growth than staying the course.

Stergios Skaperdas

IRVINE, CALIFORNIA Having been led down an ever-worsening spiral by the euro zone and its own government, Greece now faces two options, both of them painful: stay the course, or default and exit the monetary union.

Each presents difficulties and uncertainties, but in the long run there is no question that default, and a return to the drachma, offer the better chance of economic growth and employment.

Staying the course — which, despite the impending change of government, is still Greece's plan — means continuing austerity and unemployment for the foreseeable future. The young and skilled will go abroad, leaving behind an older and needier population to endure a crushing debt. In the meantime, all important economic decisions will be made in Paris, Berlin and Brussels.

Default at Greece's initiative, by contrast, would allow Greece to influence its destiny. The process would be largely governed by Greek law, instead of its being a matter of private discussions

between the German chancellor and the French president, and would thus lead to a more sustainable debt burden.

Because of problems with financing Greek banks and pension funds, default would be likely to mean leaving the euro. But that's a good thing, as it would give Greece control of its own monetary policy. This is especially important now, with Greek credit and liquidity severely restricted, most critically in its vital small-business sector. Moreover, since the “new drachma,” as the post-euro currency might be called, would depreciate, both tourism and exports would rise, and imports decrease, all of which would make Greece more competitive.

So why have Greek leaders stuck with the euro at all? In part, it's because the thought of defaulting and leaving the euro is so intimidating. But while not without costs, it would in fact be relatively straightforward, especially if preparation is underway behind the scenes.

To minimize the number of days banks would need to be closed, the decision to move to the new drachma should be made on a Friday. Bank deposits and domestic debt would be immediately converted to new drachmas at the initial exchange rate. It would fall to the Greek

courts to determine whether pre-2010 public debt would follow suit, but there is no reason to think they would treat it any differently from domestic debt.

Loans from the European Union and the International Monetary Fund, though, would probably be kept in euros. That's a problem, because once Greece leaves, the euro itself would substantially increase in value — and thus the loans' price in drachmas would increase. But since incomes would also drop if the country stayed in the euro zone, the real, productive resources the country would need to service that debt wouldn't be much different.

Apart from these steps, the transition would take time. It could take perhaps months to print enough new drachmas to support domestic transactions, and during that time euros would stay in circulation. Banks would also need time to adjust their accounting, computers and clearing routines. Still, a few distinctive details of the euro aside, managing the transition from one currency to another is well understood: the change of currencies that followed the breakup of Czechoslovakia, for example, took several weeks and by all accounts went well.

True, such a move would close off ac-

cess to international bond markets, making bilateral borrowing from another country Greece's only option abroad. But this is less a concern than some think, because Greece is soon expected to achieve a primary budget surplus (the government budget surplus, excluding interest on debt) which would make domestic borrowing sufficient.

Initially, foreign exchange would be scarce, making it harder to import essential goods. In the short term, then, Greece would need to limit the outflow of foreign capital, an aggressive but not uncommon practice. The private, euro-denominated external debt of banks and other companies would also need support through government guarantees.

Some of these steps may seem daunting, but they are not much different from what Greece faced before its adoption of the euro. In any case, the policies followed so far have demonstrably failed. Greece must contemplate, and then undertake, an exit from the euro zone. The sooner a transition occurs, the better for everyone.

STERGIOS SKAPERDAS is a professor of economics at the University of California, Irvine.



IN BRIEF

PSOMIADIS IN CUSTODY

Fugitive soccer club owner awaits extradition in Skopje

Police in the Former Yugoslav Republic of Macedonia said yesterday that businessman and soccer club owner Makis Psomiadis has been remanded in custody for 40 days after being arrested in Skopje on Wednesday. Psomiadis is wanted in Greece on match-fixing charges, which he denies. Athens is expected to begin extradition proceedings soon. Psomiadis appears to have fled Greece last month only days after spending three months on the run from authorities who arrested him near Athens.

CIGARETTE SMUGGLING

Five coast guard officers caught

A total of 21 people, including five coast guard officers, have been charged in connection with the smuggling of cigarettes into Greece. The arrests were made on Wednesday following raids in Athens, Patra and Ioannina. The damage to public coffers from the gang's action is estimated to run into tens of millions of euros, authorities said.

■ Food program. Several tons of pasta, rice and cheese are to be distributed to the poor and homeless over the next six weeks as part of a European Union-backed program, Agricultural Development Minister Costas Skandalidis said yesterday. The program foresees the distribution of some 7 tons of pasta, 5 tons of rice and just under half a ton of cheese (of the Cretan graviera variety). The aim is to distribute 9 kilos of food to each individual and between 16 and 78 kilos to each family depending on its size.

■ Fraudster rumbled. Officers from the police's immigration department yesterday detained a 22-year-old Algerian national after finding two packages containing some 20,000 forged watermarks for Spanish passports in his possession in the central Athens neighborhood of Kypseli. According to police, the packages had been sent to Greece from China.

■ Migrants in transit. A charter plane carrying 63 Pakistani nationals left Athens for Lahore and Islamabad, police said yesterday, noting that deportation orders had been issued for the immigrants. The deportations are part of a European Union-funded crackdown on illegal immigration.

■ Marathon Friends. In a public debate starting at 6 p.m. tomorrow, the Marathon Friends International Association, chaired by Germany's deputy ambassador to Greece, Guy Feaux de la Croix, is set to present a declaration on the "renewal of democracy and lessons from the Classical Athenian experience," on the occasion of the Athens Classic Marathon, which is scheduled to take place on Sunday. The debate will be in English and admission to the event at the Electra Palace Hotel in Plaka is free.

■ Bond probe. Journalist Dimitris Kapranos was remanded in custody yesterday after being questioned by a magistrate in connection to claims that he profited from an investment in a structured bond by the Pension Fund for Press Employees (TSPEATH), which he was president of. TSPEATH invested in the 130-billion-euro government note in July 2006 with several other funds. Documents submitted to the court indicated that 1.8 million euros was deposited in Kapranos's Swiss bank account a few days after the bond purchase. Kapranos denies any wrongdoing.

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Lucas Papademos named PM, vows to keep Greece in euro

New cabinet due to be sworn in today

Lucas Papademos, a former vice president of the European Central Bank, was yesterday named the country's new prime minister after the leaders of the three parties participating in a new coalition government finally managed to overcome their differences following five days of tense negotiations.

Emerging from the president's residence moments after his appointment was announced by President Karolos Papoulias, Papademos told a throng of journalists that he was confident that the new interim government he has been tasked to lead will be able to push through tough reforms on which crucial rescue funding depends. "The country is at a crucial crossroads," he said. "The course ahead will not be easy but I am confident that the problems can be solved and they will be solved faster, at smaller cost and more efficiently if there is unity, cooperation and a prudent approach."

The 64-year-old economist, who was educated at the Massachusetts Institute of Technology and has served as governor of Greece's central bank, suggested that his economic insights would make up for his lack of political experience. "I am not a politician but I have exercised economic policy in Greece and Europe," he said, adding that his appointment was "a great honor and an even greater responsibility."

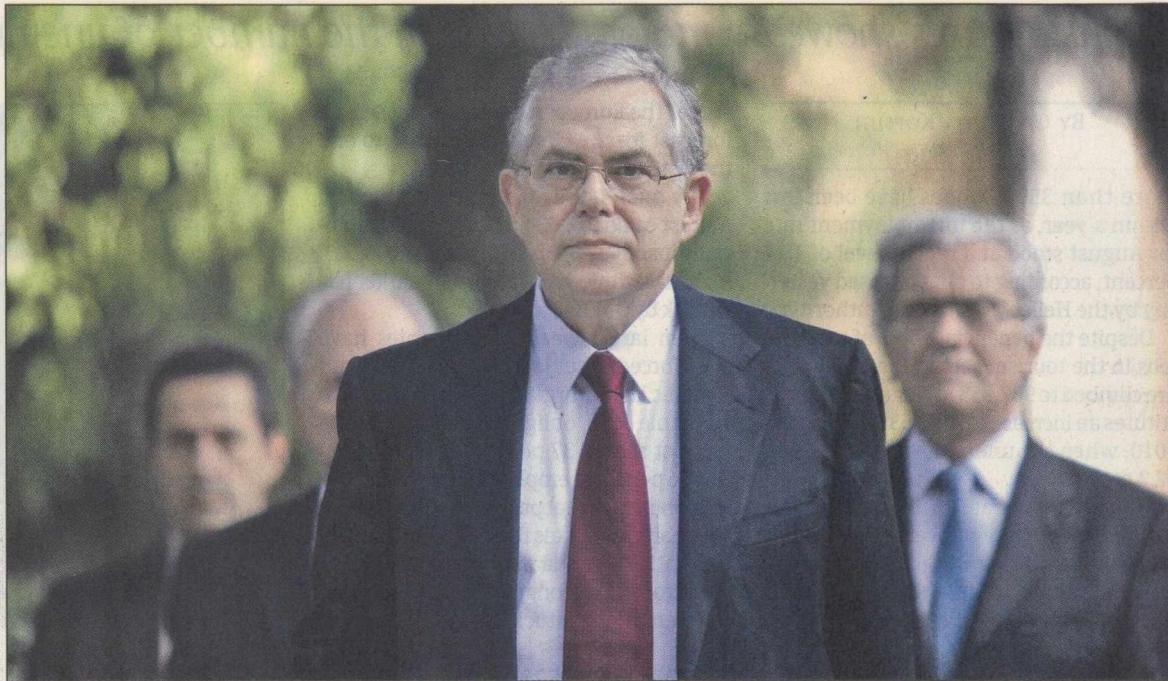
Papademos stressed that the new government would be "transitional" and that its chief goal would be "the implementation of the decisions of the October EU summit and the poli-

cies connected to that." The priority, he said, is for Greece to remain in the eurozone. "I am convinced that Greece's continued participation in the eurozone is a guarantee for its stability," he said.

Papademos refuted reports — leaked by Papandreou's office late on Wednesday — that he had asked party leaders to meet specific conditions.

After the talks with the president yesterday, outgoing PM George Papandreou, New Democracy leader Antonis Samaras and right-wing Popular Orthodox Rally (LAOS) leader Giorgos Karatzaferis made no statements. Officials from the three parties were dispatched to the premier's office for talks on policy details.

Papademos and his new cabinet are to be sworn in at 2 p.m. today though



Lucas Papademos leaves the Presidential Palace in central Athens yesterday after accepting the invitation to become Greece's interim prime minister. Papademos has worked as an economics professor at the University of Athens, the governor of the Bank of Greece and the vice president of the European Central Bank.

the composition of his cabinet remained unclear yesterday. It is widely expected that Finance Minister Evangelos Venizelos will remain in his role and that the ministers of education, transport, health, agriculture and the environment will also keep their posts. It is thought that New Democ-

racy will contribute around four party officials — not MPs — to the new cabinet and that two LAOS deputies will take ministry posts.

The appointment of Papademos was broadly welcomed by most parties. Leftist parties however rejected the development, with Communist

Party (KKE) chief Aleka Papariga saying that the coalition's main goal was "to crush the popular movement shortly before the country goes bankrupt." Members of the KKE-backed labor union, PAME, staged a small protest rally in central Athens last night.

European leaders emphasize need for interim administration to work together

European leaders welcomed yesterday the appointment of former central banker Lucas Papademos as Greek prime minister but placed more emphasis on the need of the interim government to work together.

In a joint statement, European Council President Herman Van Rompuy and the head of the European Commission, Jose Manuel Barroso, said that Athens must now focus on adopting and keeping to last month's bailout agreement, which is likely to see Greece receive another 130 billion euros in loans and holders of Greek bonds accept a 50 percent haircut.

"Although this will be a transitional government, its workload will be extremely intense," the pair said. "A second program of financial as-

sistance must be rapidly concluded... the voluntary bond exchange with private sector investors should take place as planned at the beginning of 2012.

"It is important for Greece's new government to send a cross-party message of reassurance to its European partners that it is committed to doing what it takes to set its debt on a steady downward path."

German Chancellor Angela Merkel also focused on the need for the Greek government to cooperate rather than on Papademos's credentials.

"We will work with every Greek leader who is appointed," Merkel said during a news conference in Berlin. "We would like Greece to get on the right path as quickly as possible and we would

like the reform efforts for a better and more efficient and consolidated Greece to have broad political support.

"I wish everyone who is going to take on responsibilities in Greece the best, and Germany will do everything in its means for a good cooperation," she added.

The United States also emphasized the need for consensus under Papademos's leadership. "We welcome his appointment. We look forward to working with the new prime minister," said State Department spokesman Mark Toner.

"We also welcome the consensus that's been reached in Greece on the need to implement the country's reform commitments to the IMF as well as the European Union," he said.

Diesel cars to get right of way?

It has been the subject of discussion for years without ever happening, but the government appears set to lift the ban on diesel-powered cars from the centers of Athens and Thessaloniki. The move, however, has drawn criticism from environmental groups.

The change in the law that bans private vehicles, apart from taxis, that use diesel from entering downtown areas was included in an amendment submitted to Parliament on Wednesday afternoon.

It proposes that all diesel cars that use Euro 5 technology be allowed into the city centers. European Union regulations limit carbon monoxide emissions to 500 mg/km, particulates to 5 mg/km, nitrogen oxides to 180 mg/km and combined emissions of hydrocarbons and nitrogen oxides to 230 mg/km.

Environment Minister Giorgos Papaconstantinou unexpectedly submitted the amendment to Parliament on Wednesday afternoon, when the focus of most people was on Prime Minister George Papandreou's imminent resignation and the expected announcement of the next prime minister.

However, the ministry defended its plans to lift the restrictions on diesel-powered cars. "The ministry's decision was based on extensive studies and was taken after consultation with the relevant parliamentary committee," the ministry said. "It has the interest of the public and the protection of the environment at heart."

The ministry wants to incorporate the lifting of the diesel ban with its intention to create a "green

ring" in Athens to replace the current restrictions that mean cars which have a license plate ending with an odd number can only enter the city center on an odd day and vice versa. Instead, the restriction will be based on carbon emissions.

Only cars that issue emissions below 140 g/km will be allowed into the city center. Any vehicles purchased before 1990 will only be allowed to enter during off-peak hours.

The environmental group WWF Hellas slammed the government for removing the diesel ban at the same time that an EU study showed that diesel-powered cars had contributed to increases in nitrogen dioxide emissions. WWF said the restriction should have been made stricter.

Teens picking up bad habits

The number of adolescents smoking, drinking alcohol and experimenting with drugs increased steadily between 2006 and 2010, according to a new study by the Athens-based University Research Institute for Mental Health.

The study found that two in five Greeks under 15 claim to have smoked cigarettes at least once, with one in three admitting to drinking alcohol at least once a week and 7.2 percent saying they have tried cannabis. The survey, conducted on 4,944 adolescents at the end of last year, showed that 42 percent had smoked at least once in their lives, with one in 10 admitting to smoking an average of six cigarettes daily.

As for alcohol, one in three 15-year-olds admitted to indulging at least once a week, with most opting for beer and alcopops. Between 2006 and 2010, the number of adolescents who drink alcohol at least once a week rose to 35.3 percent from 27.6 percent. The increase of cannabis use was sharper, with 7.2 percent of adolescents claiming to have tried it at least once compared to 3.7 percent in 2006.



COMMENTARY / BY ALEXIS PAPACHELAS

Maybe this time will be different

Something an experienced New Democracy cadre told me yesterday afternoon stuck with me. He said that for three days, as negotiations to find the next prime minister wavered, the switchboard at the conservative party's headquarters was bombarded by exasperated ND supporters. But he said the complaints died down soon after the new premier, Lucas Papademos, made his first public statement. Maybe it was just coincidence, but maybe there is an explanation. Clearly people's rage won't just die down overnight. Unemployment, high taxes and the incessant attack on the middle classes' quality of life make this

anger justifiable. Maybe, though, we will all take a step back from the edge of the abyss. Papademos yesterday exuded a sense of calm and knowledge of the tough situation. He isn't part of a burnt-out political status quo that battled tooth and nail over the last few days to survive and keep control of the system. Maybe Greeks will now realize that beyond the regulars on the political debates on their TV screens, there are actually people with knowledge and morals who can offer something positive to the country when it needs it so desperately. Maybe a calm and honest analysis of the situation

will help dispel the many myths that have emerged to fan the flames of rage, such as that there is a third path for Greece to follow other than strict fiscal discipline and remaining in the euro, or returning to the drachma, or the story about a great national betrayal through the presence of foreign technocrats, or even the idea that we can bring about a renegotiation of our lending terms and embarrass the Europeans. I know that all this sounds optimistic. The party mechanisms will fight to ensure that the Papademos government does not succeed. The left will revert to its usual role and the uber-patriots on

the right and left will again start talking about the occupation of the Fourth Reich. The high priests of populism and the drachma will create another conspiracy, dismissing Papademos as a puppet of the international banking system. However, maybe something has changed after the fiasco of George Papandreou's appearance at Cannes and the emergence of a new type of government. Maybe raw honesty, reliability, correct negotiation with our partners and dignity will for now act as a strong antidote to the madness, hysteria and violence that made us stand out so much more than any other country experiencing a debt crisis.

EDITORIAL

Reason comes out on top

Entrusting the formation of a national unity government to Lucas Papademos was a pivotal and responsible act on the part of the country's political leaders, even if the decision was reached at the very last minute. Split between the interests of so-called "deep PASOK" and those of the country, George Papandreou eventually chose the latter and did the right thing. Meanwhile, Antonis Samaras dared to go against the will of a number of his more extreme followers, but at the same time reaffirmed that New Democracy is the middle-class, center-right alternative solution for governing the country. What is important in this case is the defeat of party mechanisms on both sides, mechanisms which up to the very last moment tried to press for an exceedingly average solution for the premiership, disregarding the gravity of the situation, the international challenges and, most importantly, the people's wrath. The choice of Papademos is above all due to Greek society, but also to the brave politicians, who, irrespective of their party affiliation, for once placed the interest of the country above their own and that of their parties.