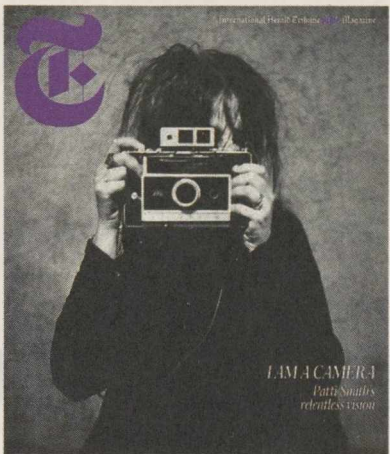


PATTI SMITH'S
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International Herald Tribune

SATURDAY-SUNDAY, NOVEMBER 19-20, 2011 THE GLOBAL EDITION OF THE NEW YORK TIMES GLOBAL.NYTIMES.COM

As investors rush to exits, Europe faces credit crunch

NEW YORK
BY NELSON D. SCHWARTZ
AND ERIC DASH

Nervous investors around the globe are increasingly reluctant to lend to European governments and European banks, increasing the risk of a credit squeeze that could set off a downward financial spiral.

Financial institutions not only are dumping their vast holdings of European government debt, but are spurning new bond issues by countries like Spain and Italy. And many have decided not to renew short-term loans to European banks which they need to finance their day-to-day operations.

If this trend continues, it risks creating a vicious cycle of rising borrowing costs, deeper spending cuts and slowing growth that is hard to arrest, especially as it comes at a time that some European banks are having trouble meeting their funding needs.

"It's a pretty terrible spiral," said Peter Fisher, vice-chairman of giant asset manager Blackrock and a former senior Treasury official in the Clinton administration.

The pullback in lending — which is speeding up almost daily — is driven by worries that some European countries may not be able to meet their bond obligations, which in turn would damage banks that own large amounts of those bonds. It also increases the pressure on the European Central Bank to take more aggressive action, despite resistance.

EUROPE, PAGE 13

DRACHI RESISTS BIGGER ROLE FOR E.C.B.
The central bank has strongly avoided becoming a lender of last resort to troubled countries. PAGE 13

Carrying the weight of Europe

BERLIN
German finance minister defies odds, but decades of work hinge on crisis

BY NICHOLAS KULISH
AND JACK EWING

Where the world finds only chaos and impending disaster in the European debt crisis, Wolfgang Schäuble sees the long-awaited urgency to finish the half-complete job of unifying Europe. And as Germany's finance minister and a close confidant of Chancellor Angela Merkel, he is in a uniquely powerful position to shape the outcome.

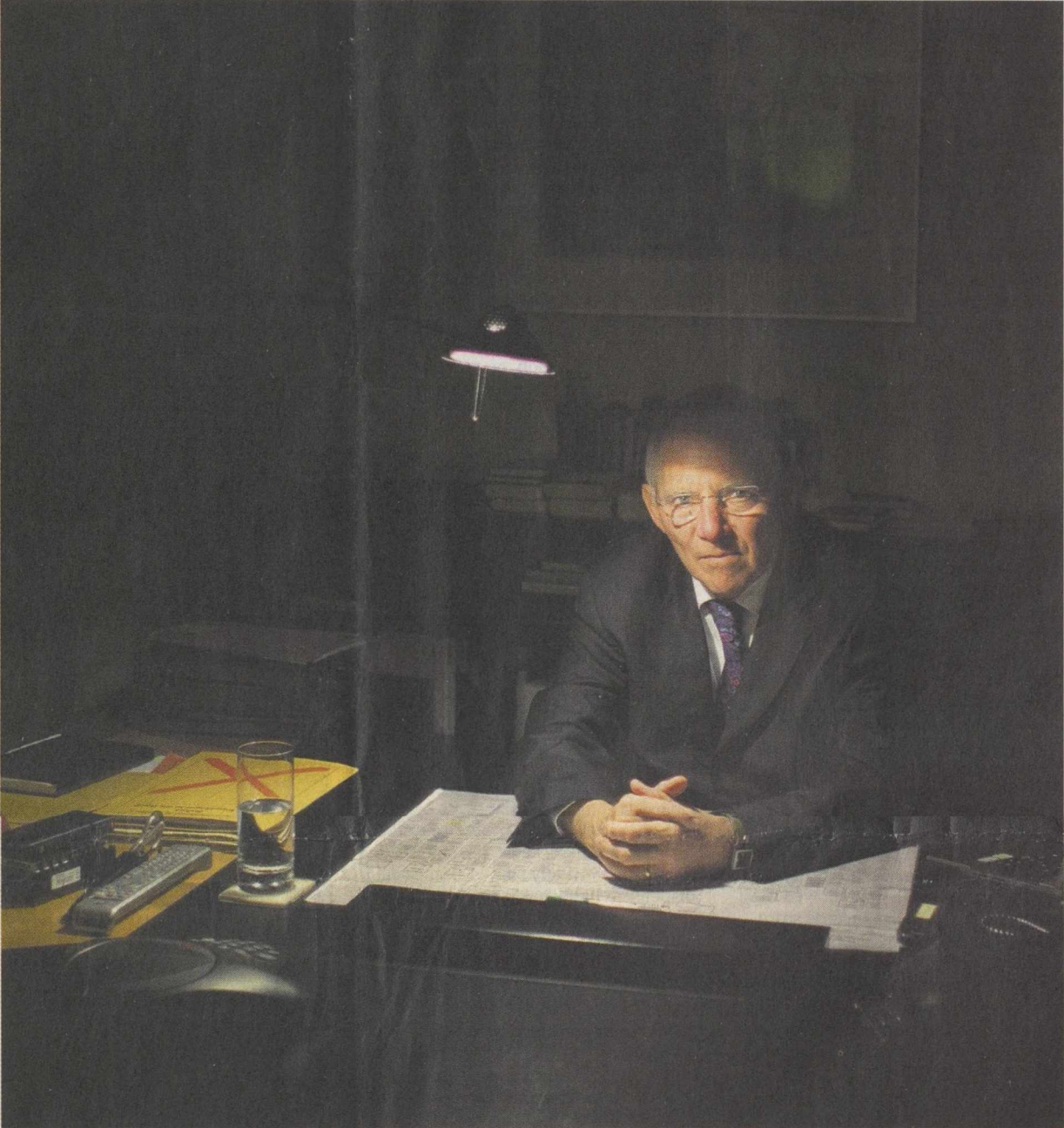
Yet, it is something of a miracle that Mr. Schäuble is in the German government at all. His health had been an issue since Oct. 12, 1990, the day a would-be assassin shot him, paralyzing his legs and confining him to a wheelchair from that point forward.

His troubles did not end there. As recently as May, 2010, while he was on his way to Brussels for a meeting of European Union finance ministers, he found himself in the intensive care unit of a Belgian hospital, battling complications from an earlier operation. At that point, with the German news media speculating about his resignation — and even his chances of survival — he phoned Mrs. Merkel to discuss his future.

As the early sunset of a Berlin autumn evening darkened his office, Mr. Schäuble, 69, recalled asking Mrs. Merkel if he could have until the end of that week to see whether he could regain enough strength to return to work. "She said she found that to be the wrong question entirely; I should take the time I needed to get better," Mr. Schäuble said. "She said she needed me and she wanted me. End of discussion."

It proved to be a wise decision. Mr. Schäuble's experience has been crucial as Mrs. Merkel has tried to walk the fine line between the pro-European conservatives like Helmut Kohl.

SCHÄUBLE, PAGE 4



Wolfgang Schäuble, Germany's finance minister, is a throwback to the pro-European conservatives like Helmut Kohl.

Myanmar opposition re-enters politics

BANGKOK
U.S. announces Clinton will visit country in move to counterbalance China

BY THOMAS FULLER
AND JACKIE CALMES

Daw Aung San Suu Kyi, Myanmar's most prominent democracy campaigner, announced Friday that she would rejoin the political system of the military-backed government that persecuted her for more than two decades.

Her announcement came shortly after President Barack Obama disclosed that he was sending Secretary of State Hillary Rodham Clinton on a visit there next month, the first by a secretary of state in more than 50 years.

The twin events underscored the remarkable and sudden pace of change in Myanmar, which has stunned observers inside and outside the country. The changes followed a transfer of power this year from a military junta to a nominally civilian government.

Mrs. Clinton's visit also signaled a greater willingness by the United States to take bolder steps in the face of a growing regional influence from China, a traditional ally of Myanmar.

The announcement of her visit came during a week when Mr. Obama laid out plans for the United States to deploy 2,500 marines in northern Australia, a move that a spokesman for the Chinese Foreign Ministry said "may not be quite appropriate."

The re-entry of Mrs. Aung San Suu Kyi and her party into formal politics, by joining in an upcoming special parliamentary election, was seen as a milestone in reconciliation efforts between the military leadership and the country's democracy movement, whose members were jailed and repressed during years of authoritarian rule. The party's decision was unanimous, according to a statement.

A party spokesman said it was likely that Ms. Aung San Suu Kyi would herself seek one of the 48 open spots in Parliament in the elections, which have not yet been scheduled.

Mr. Obama made known his decision to send Mrs. Clinton at a gathering in Bali, Indonesia, where nations from Southeast Asia were meeting Friday with leaders of lands from across the Pacific Rim, including the United States, China and Japan.

"For decades Americans have been MYANMAR, PAGE 6

An uneasy truce in Egypt shows signs of collapse as Islamists rally



A protest in Alexandria on Friday against the army's role in the constitutional process.

CAIRO
A big demonstration in Tahrir Square challenges army's role

BY DAVID D. KIRKPATRICK

Tens of thousands of Islamists jammed Tahrir Square on Friday in the most significant challenge yet to the authority of Egypt's military council that seized power nine months ago with the ouster of President Hosni Mubarak.

The demonstration ended an uneasy truce between Egypt's Islamists and its military that had prevailed since Mr. Mubarak's exit. The truce reached a breaking point after the military council spelled out for the first time its intention to claim a decisive role in Egyptian politics far into the future, even after parliamentary elections scheduled to begin later this month or a final handing over of power to constitutional authorities some time in 2013 or beyond.

It begins a face-off between Egypt's two most powerful institutions, its army and the once-outlawed Muslim Brotherhood, that has left Egyptian liberals anxious and divided on the sidelines.

"Each side is drawing lines in the sand over its future role in the political process," said Emad Shahin, an Egyptian scholar at the University of Notre Dame in Indiana who was in Tahrir Square on Friday. "The military forces would like to secure an exit from the transitional period with some kind of assurances of its future role in the political scene," he said. "And the Islamists think that this could put a check on their power even if they win in clean and fair elections."

Egyptian liberals, torn between their fears of Islamist power on the one hand and of military rule on the other, mostly stayed home. The April 6 Movement, a pivotal force in the uprising, was one of the few liberal groups to make a conspicuous presence, calling it "the Friday of One Demand" — meaning a handing over of power to the lower house of Parliament after it is elected by April.

"Of course there are fears of Islamists EGYPT, PAGE 4

WORLD NEWS
Support for new Italian cabinet
Parliament gave Prime Minister Mario Monti full powers to begin drafting his new economic agenda, which includes passing emergency measures to regain the confidence of foreign investors as well as broader structural changes to the country's labor market, pension system and tax system. PAGE 3

I.A.E.A. gives Iran mild rebuke
The United Nations nuclear watchdog ligated Tehran on Friday over its suspected plans to build a nuclear weapon, but the rebuke fell far short of threatening further pressure or actions to curb Iran's contentious program of uranium enrichment. PAGE 4

A grim U.N. report on climate
At least some of the weather extremes being seen around the world, including coastal flooding and increased precipitation, are consequences of human-induced climate change and can be expected to worsen, a United Nations panel reported Friday. PAGE 7

BUSINESS
Hungary turns to I.M.F.
Prime Minister Viktor Orban said that Hungary would seek "an insurance-type agreement" from the fund. PAGE 12



PAGE TWO
Motivator in chief Michelle Obama is emerging as an upbeat ambassador for a struggling administration and a powerful asset in rallying her husband's supporters.

Occupy protests could have legs
Critics and supporters of the movement say its influence could last decades, James B. Stewart writes. PAGE 12

VIEWS
Do not intervene in Syria
Syria is not Libya. The potential for sectarian violence and even civil war makes the complexities of post-Qaddafi Libya seem mild by comparison, writes Aaron David Miller. PAGE 8

Paul Krugman
The congressional supercommittee is supposed to reach an agreement on U.S. budget cuts by Wednesday. Barring a miracle, it will fail to do so. But, in this case, that is good news. PAGE 9

ONLINE
A makeover for Mormons
After surveys and focus groups two years ago found that many Americans think of Mormons as "cultish" and "sexist," a new advertising campaign by the Mormon Church features the stories of members who defy stereotyping. The "I'm a Mormon" campaign could play a crucial role in the 2012 presidential race. global.nytimes.com/us



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CURRENCIES NEW YORK, FRIDAY 1:30PM PREVIOUS

▲ Euro	€1=	\$1.3520	\$1.3460
▲ Pound	£1=	\$1.5800	\$1.5750
▲ Yen	¥1=	¥76.900	¥76.970
▲ S. Franc	₣1=	₣0.9160	₣0.9210

Full currency rates Page 16

STOCK INDEXES FRIDAY

▲ The Dow 1:30pm	11,790.10	+0.16%
▼ FTSE 100 close	5,362.94	-1.11%
▼ Nikkei 225 close	8,374.91	-1.23%

OIL NEW YORK, FRIDAY 1:30PM

▼ Light sweet crude	\$97.15	-\$2.27
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World News

EUROPE

Lawmakers offer broad support for Monti cabinet

ROME

BY ELISABETTA POVOLEDO

Prime Minister Mario Monti of Italy on Friday won broad support in Parliament for his new government — whose mission will be to spur growth and reduce debt during a Europe-wide economic crisis — calling on lawmakers to work with him in a moment of difficult decisions and sacrifices.

The 630-seat lower house voted in favor of Mr. Monti's government 556 to 61, after a similarly lopsided vote on Thursday in the Senate.

Mr. Monti now has full powers to begin drafting his agenda, which includes passing emergency measures to regain the confidence of foreign investors, as well as broader structural changes to Italy's labor market and pension system, while stepping up the effort to fight tax evasion and creating incentives for businesses to expand, including a revision of the tax system.

The prime minister said that an outline of the government's plan would be discussed at a cabinet meeting scheduled for Monday morning.

The votes were a sign of a return to normality after a tumultuous two weeks during which former Prime Minister

Silvio Berlusconi was forced to quit and Mr. Monti, an economist and former European Union competition commissioner, was recruited to replace him.

Mr. Monti acknowledged to lawmakers Friday that the financial crisis now unsettling world markets was in part due to "serious malfunction of financial institutions and the markets," but he also said Italians were not without blame. "We should stop saying so easily that others are responsible," he said.

At a press conference on Friday afternoon, the new prime minister said that his priority next week would be the "situation of the euro zone" and he would travel to Brussels and Strasbourg for talks first with Herman Van Rompuy, the president of the European Council, and José Manuel Barroso, the president of the European Commission, and on Thursday with President Nicolas Sarkozy of France and Chancellor Angela Merkel of Germany.

Mr. Monti said he was certain that topics of discussion would include the European Central Bank and its role in the debt crisis, as well as the creation of bonds backed by all the euro zone countries, an idea he supported as an economist.

"But before forming an idea, not as an

economist but as finance minister and prime minister, it seems important to have the opportunity to have frank and in-depth talks with the leaders of France and Germany as well as the European authorities before definitively fixing my ideas," he said.

In dictating Italy's new national agenda, his objective, he said, was to obtain "the broadest consensus possible."

Mr. Monti said he hoped to govern until 2013, when elections are scheduled. But for some of Italy's political parties, the campaign will likely start as soon as

The new Italian prime minister said that his priority next week would be the "situation of the euro zone."

the austerity measures are presented.

"Will Monti be able to find a majority in Parliament? That is the real question. Will this government actually be able to do anything?" said Fausto Panunzi, a professor of economics at Bocconi University in Milan. He said Mr. Monti's program was "full of the right things."

"But between saying and doing is the will of Parliament. Even if what is at stake is the future of Italy," he said.

Greek deficit set to shrink

The Greek finance minister, Evangelos Venizelos, said Friday that state revenue would exceed spending in 2012 for the first time in years, adding that the deficit was expected to contract to 5.4 percent of gross domestic product from 9 percent this year — as long as a bond swap being discussed with private investors goes ahead as planned, Niki Kitsantonis reported from Athens.

According to a draft budget for 2012 submitted in Parliament by Mr. Venizelos, revenue is expected to reach €54.4 billion, or \$74 billion, in 2012, compared with €51.3 billion this year, while spending will be curbed by €5 billion. The blueprint foresees an additional €3.6 billion in tax collection.

Describing the 2012 budget as "a tool for exiting the crisis," Mr. Venizelos said it would help Greece move from "the current state of pessimism to a new starting point."

The minister told a news conference that the budget was "the first major initiative of the new government of Lucas Papademos," a former vice president of the E.C.B. whose coalition administration won a vote of confidence in the Greek Parliament last week.



Prime Minister Mario Monti in the Italian Parliament on Friday. He said an outline of the government's economic plan would be discussed at a cabinet meeting on Monday.

BRIEFLY

Europe



KIEV

Tymoshenko asks for help from medical aid groups

The jailed former prime minister of Ukraine, Yulia V. Tymoshenko, asked international medical organizations Friday to help examine her and treat her worsening health conditions.

Ms. Tymoshenko, who is serving a seven-year sentence on charges of abuse of office, has said she is suffering from severe back pain and from mysterious bruises on her body. She said she did not trust government-appointed doctors and accused the authorities of refusing to let independent medical experts see her.

Ms. Tymoshenko has turned to the International Committee of the Red Cross and Médecins Sans Frontières and asked them to intervene to help her get examined and treated properly, said her top aide, Oleksandr Turchynov. Her office said the authorities have ignored the fact that she cannot walk or stand up because of the back pain and have held daily hours-long interrogations in her cell, questioning her as she lay in bed, unable to move. (AP)

LONDON

Hugh Grant and J. K. Rowling to testify in hacking inquiry

The actor Hugh Grant and the author of "Harry Potter," J.K. Rowling, will testify in a London courtroom next week about alleged media intrusion into their private lives. They are among witnesses announced Friday by an inquiry into British media ethics.

The inquiry was triggered by the scandal over phone hacking at the now-defunct tabloid News of the World.

More than 20 people who say they are victims of hacking are scheduled to give evidence starting Monday, including the parents of 13-year-old Milly Dowler, who was abducted and murdered in 2002. The tabloid, owned by Rupert Murdoch, eavesdropped on her voice mails while the police were searching for her. (AP)

CHISINAU, MOLDOVA

Vote delayed after candidate for president is withdrawn

Moldova canceled a vote in Parliament to select a president on Friday after the governing party withdrew its candidate.

A parliamentary official, Tudor Deliu, canceled the vote and said another ballot would be organized in one month. If that vote also fails Parliament will be dissolved and new elections will be held.

The governing Alliance for European Integration decided not to propose interim President Marian Lupu for the office because it was unlikely that he would win the 61 votes needed to be elected president. Pro-European parties have only 59 seats. (AP)

STOCKHOLM

Extremist says he planned to kill Norwegian leaders

The right-wing extremist who confessed to massacring youth activists told the police that he had originally planned to capture and kill leading Labor Party politicians whom he viewed as traitors, a Norwegian newspaper reported on Friday.

The VG tabloid cited leaked police interrogations with Anders Behring Breivik for its story Friday. It reported that Mr. Breivik's aim was to kill former Prime Minister Gro Harlem Brundtland, Foreign Minister Jonas Gahr Støre or Eskil Pedersen, head of the Labor Party's youth wing. (AP)

Germany and Britain fail to bridge gap on crisis

BERLIN

REUTERS

The leaders of Germany and Britain sent out conflicting signals Friday about how to solve the euro zone's debt crisis, and acknowledged that they had failed to narrow differences over the introduction of a financial transaction tax in Europe.

At a news conference in Berlin, Prime Minister David Cameron and Chancellor Angela Merkel tried to conceal divergent views on European policy that have sparked a war of words between politicians and media from both countries.

But they could not mask differences over how the euro zone's debt crisis should be handled, with Mr. Cameron calling for "decisive action" to stabilize the zone and Mrs. Merkel making clear that she favored a "step-by-step" approach.

"My German isn't that good — I think a bazooka is a Superwaffe, am I right?" Mr. Cameron said in response to a question about his call for euro-zone policymakers to use a "big bazooka" approach to the crisis.

"The chancellor and I would agree that whatever you call this, we need to take decisive action to help stabilize the euro zone," he said, citing the need for strong action on Greece, a rescue fund with "power and punch" and a recapitalization of European banks.

Mrs. Merkel was more cautious. She is under increasing pressure to support bolder crisis-fighting steps from the European Central Bank, including using it as a lender of last resort for the bloc or backstop for the euro zone's bailout fund, the European Financial Stability Facility.

So far she has resisted, backing the argument of the Bundesbank that this would violate the E.C.B.'s inflation-focused policy mandate. Infringing on this awakes traumatic memories in Germany of the hyperinflation that followed the two world wars.

"The British demand that we use a large amount of firepower to win back credibility for the euro zone is right," Mrs. Merkel said. "But we have to take care that we don't pretend to have powers we don't have, because the markets will figure out very quickly that this won't work."

Mrs. Merkel is focusing on changes to the European Union's Lisbon Treaty to force other euro members to adopt German budget discipline. She says this will convince financial markets that Europe is serious about getting its debt and deficits under control.

Asked about Germany's push for the introduction of a financial transaction tax in Europe, Mrs. Merkel acknowledged that she and Mr. Cameron "did not make any progress."

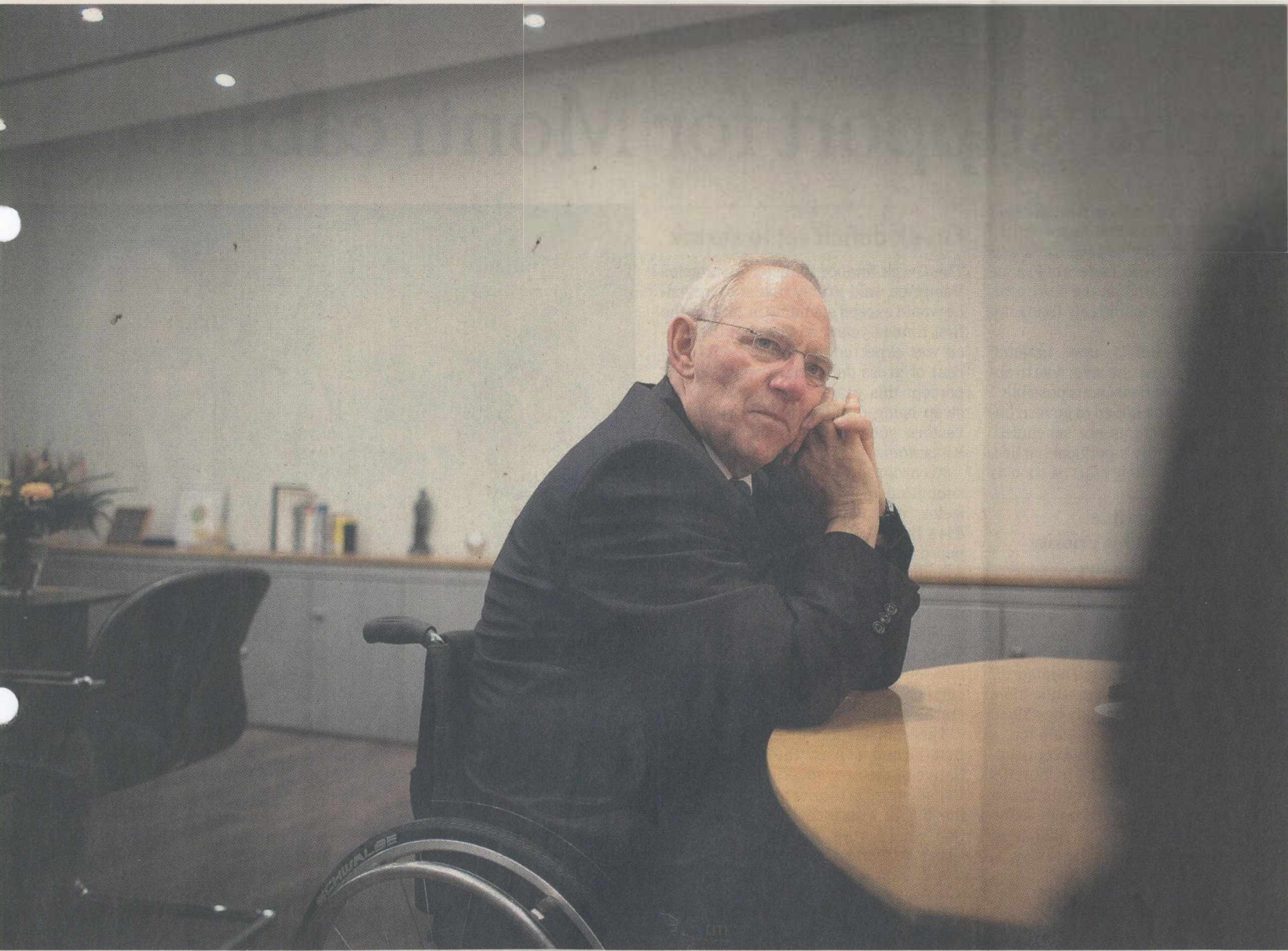
Britain is concerned that introducing this so-called Tobin tax in Europe alone would undermine the competitiveness of its financial industry in the City of London, a move that Mr. Cameron said would drive away business to countries without such a tax.

"Naturally there are differences," Mrs. Merkel said. "But Europe can only prevail if all the strong countries of the European continent are represented and if we have a bit of tolerance for the different views."

The two leaders tried their best to present a united front, calling each other by their first names, saying a few words in each other's language and stressing their common interest in a strong euro and a competitive European single market.



WORLD NEWS EUROPE MIDDLE EAST



Finance Minister Wolfgang Schäuble was shot by a would-be assassin in 1990, paralyzing him from the waist down. The German news media have speculated about his resignation.

Carrying the weight of Europe

SCHÄUBLE, FROM PAGE 1
line between European partners demanding Germany’s financial assistance and angry voters who do not want to assume responsibility for the debts of other countries. And political analysts say Mr. Schäuble was indispensable in holding together the conservative bloc in the vote over expanding the European rescue fund, which had evolved into a de facto vote of confidence for Mrs. Merkel’s crisis management.

Previously, German reunification was a defining moment of his career: he led the negotiations on behalf of the West German government. Now Mr. Schäuble’s European legacy will be written in the coming months as either one of the key architects of the new Europe or the man who watched a project he has worked on for decades fall apart.

Mr. Schäuble recalled the palpable fear at the G-20 ministers’ meeting in Washington in September, held the week before the vote on the stability fund was scheduled. “You should have felt it,” he said he told his party’s parliamentary group on his return. “We carry not only responsibility for ourselves. We are also responsible for the development of the global economy.”

Mr. Schäuble, his hair white and a little sparse, the hint of gravel in his voice, is the oldest member of Mrs. Merkel’s cabinet, the only one born before the end of World War II, and a throwback to pro-European conservatives like Helmut Kohl, under whom he served as chief of staff. A campaign-finance scandal forced him to step aside in 2000 as chairman of the Christian Democratic Union for the young East German politician, Mrs. Merkel, whom

he had put forward as the party’s general secretary two years earlier.

Now for the second time in his career, Mr. Schäuble finds himself loyally serving a chancellor for years. Nicknamed Mr. Kohl’s eternal crown prince, Mr. Schäuble went from an ambitious young politician from the Black Forest with an eye on the chancellery himself to an elder statesman beyond worrying about his political future.

“If it puts him in a bad light, but it’s good for Germany, he’ll do it,” said Fred B. Irwin, president of the American Chamber of Commerce in Germany, who has known Mr. Schäuble for 25 years.

That, observers say, has given him the freedom to pursue his pro-Europe agenda sometimes even faster than Mrs. Merkel would. “Under Merkel he’s developed an extremely independent role,” said Ulrich Deupmann, author of a biography of Mr. Schäuble. Or as the Frankfurter Allgemeine newspaper put it earlier this year: “The finance minister is his own chancellor.”

At the Christian Democrats’ annual party congress this week in Leipzig, Mr. Schäuble earned the loudest and most spontaneous applause. “When Schäuble speaks, everyone hangs on every word,” said Michael Büge, a delegate from Berlin.

His electoral district in Baden-Württemberg ends at the French border, and he enjoys close ties to Christine Lagarde, the French head of the International Monetary Fund, and President Nicolas Sarkozy, a significant advantage since historically Europe has only moved forward when France and Germany could find common ground.

The latest debate in Europe is whether a tightening of cooperation between the euro zone countries will divide the European Union further, between those using the euro and those outside it. Mr. Schäuble already had proposed what is known as a “two-speed Europe” in a paper he coauthored in 1994.

“That once again illustrates the terrible fact that while I’m not as old as Helmut Schmidt I’m not exactly the youngest either,” Mr. Schäuble said, referring to the former Social Democratic chancellor who became chancellor in 1974, and now, at 92, plays the public role of national conscience and eminence.

Mr. Schäuble mocks any references to him as “the last European” or a bridge

“What we’re now doing with the fiscal union, what I’m describing here, is a short-term step for the currency.”

between generations or countries, rejecting anything that smacks of memorialization, when he is still hard at work.

Mr. Schäuble said the German government would propose treaty changes at the summit of European leaders in Brussels on Dec. 9 that would move Europe closer to the centralized fiscal government that the currency zone has lacked. The ultimate goal, Mr. Schäuble said, is a political union with a European president directly elected by the people.

“What we’re now doing with the fiscal union, what I’m describing here, is a short-term step for the currency,” Mr.

Schäuble said. “In a larger context naturally we need a political union.”

Critics say the spending cuts German leaders have demanded from other countries are hurting growth across the continent and in the process only making debts harder to repay. Mrs. Merkel and Mr. Schäuble are talking about long-term changes even as panicked investors and practiced speculators are tearing the euro to pieces right now.

Among the many forces rending the euro zone, the idea that Greece might leave the euro area, once taboo, seems to be gaining acceptance among political leaders. Mr. Schäuble said that Germany wants to keep Greece in the euro area. But if Greece decided to exit, he added, the other 16 euro area members would have to deal with the consequences.

“If Greece itself makes a decision, we have to find a way, that’s clear,” Mr. Schäuble said.

He would not comment on reports that the German government is making plans for Greece, or any other country, to abandon the euro. But he said it is a government’s duty to prepare for all contingencies.

“There is a limited transition period where we have to manage the nervousness on the markets,” Mr. Schäuble said. “If it is clear that by the end of 2012 or the middle of 2013 that we have all the ingredients for new, strengthened and deepened political structures together, I think that will work.”

As for the present turmoil, perhaps it is not so much an obstacle to a more integrated Europe but a necessity. “We can only achieve a political union,” Mr. Schäuble said, “if we have a crisis.”

Pressure increasing on Syrian government

BEIRUT

BY NADA BAKRI

France on Friday joined Turkey in calling for greater international effort to exert pressure on Syria to stop its bloody crackdown on protesters, as at least 15 more people were reported killed.

At the same time, Syria made its first response to a proposal by the Arab League to send a delegation of more than 500 military and civilian observers to the country, but critics said it appeared to be a stalling tactic.

The Arab League secretary general, Nabil el-Araby, said he received a letter from the foreign minister of Syria, Walid al-Moallem, asking him to amend the proposed plan. “These amendments are currently being studied,” Mr. Araby said.

On Nov. 2, Syria said it had agreed to an Arab League-brokered plan, under which it would halt all violence and withdraw armed forces from civilian areas, but the bloodshed continued, prompting the league to vote last weekend to suspend Syria. The proposal to send observers effectively delayed the suspension, and the current back and forth appears to push it back further.

Activists said that three people were shot in Irbin, a town on the outskirts of Damascus, and that two were shot in Homs and three in Hama, two of the most restive cities in central Syria. At least seven protesters were also killed in the southern city of Dara’a, from where the uprising against Mr. Assad broke out in mid-March.

On Friday, Syrian state television said that three soldiers were killed and that an officer was critically wounded in a bomb blast in Hama, in central Syria.

The French foreign minister, Alain Juppé, on a visit to Ankara, called the situation “no longer sustainable.”

Speaking at a news conference Friday alongside his Turkish counterpart, Ahmet Davutoglu, Mr. Juppé also called on the Syrian opposition “to avoid recourse to an armed insurrection,” saying, “a civil war would of course be a true catastrophe.” He was referring to the rise of attacks by Syrian Army deserters, including a pair of recent attacks on sites associated with the Syrian government.

Asked whether France would support military action by Turkey, including the entrance of forces to establish a kind of buffer zone as the opposition has proposed, Mr. Juppé answered that any military action, no matter by whom, would have to be approved by the United Nations. Such a development, however, would appear extremely unlikely for many reasons, culminating in the near certainty of Security Council vetoes from Russia and China.

Separately Friday, Prime Minister Vladimir V. Putin of Russia called for “restraint and caution.”

The French prime minister, François Fillon, who had been meeting with Mr. Putin, said at the same news conference: “Bashar al-Assad has stayed deaf to the calls of the international community and has not followed up reform promises and the massacres are continuing. We think that it is indispensable to increase international pressure and we have tabled a resolution at the United Nations.”

France, Britain and Germany plan to ask the human rights committee of the U.N. General Assembly to approve a resolution condemning violence against protesters.

Uneasy truce in Egypt shows signs of collapse

EGYPT, FROM PAGE 1

taking power,” said Dina Allithy, 23, a recent college graduate and member of the group. “But today we are trying to ignore all of that.”

The Brotherhood, whose organization and discipline were honed by decades of operation under police scrutiny, dispatched hundreds of members to start camping out Thursday night in Tahrir Square, the symbolic epicenter of the popular movement that ousted Mr. Mubarak.

By Friday morning, buses had arrived carrying thousands of Islamists from outside Cairo. And by 8 p.m. thousands of demonstrators appeared to be setting up camp for the night, while others expanded sound stages to continue the protest the next day.

The ruling military council and its caretaker government, which staged a public meeting with Islamist leader Thursday night in an attempt to avert the protest, had issued no response Friday.

The spark for the protest was a recent set of declarations issued by the military-led government as ground rules for the drafting of a new Constitution. Many of its provisions sought to enshrine protections of individual liberties and minority rights that liberals have sought. But another provision granted the military a long-term political role as guardian of “constitutional legitimacy,” which many Islamists suspect is a reference to the secular character of the state and could give the military an excuse to intervene at will.

The protesters also criticized provisions that would protect the military from civilian scrutiny of its budget and give the military veto power over certain foreign policy decisions.

Many of the Islamists who turned out denounced the military rulers for attempting to put themselves above the reach of future civilian authorities. They rebuked the military for repeatedly delaying its handing over of power. Many chanted calls for the overthrow of the ruling military council or the exit of its leader, Field Marshal Mohamed Hussein Tantawi.

Some said they supported the protections of civil liberties in the document but that they should come from the people, while many others argued that the future Egyptian government should be free to implement its version of Islamic law without constraints.

Delivering the Muslim prayer sermon at the rally, Imam Mazhar Shahin urged protesters to keep defending the goals

“Those who fear Islamist movements in Egypt, I tell them don’t be scared of Islam in Egypt.”

of the revolution. “Perhaps those who rule us think we will forget our cause with the passage of time. They are deluded and mistaken,” he warned the ruling Supreme Council of the Armed Forces, the formal name of the military authority that took power when Mr. Mubarak was ousted.

The Muslim Brotherhood, through its Freedom and Justice Party, may emerge as the largest bloc in the election. “Those who fear Islamist movements in Egypt, I tell them don’t be scared of Islam in Egypt,” Imam Shahin said. “Egypt is Islamic, like it or not.”

He said, “We want a civic democracy with an Islamic vision that allows people to practice their rights and democracy.”

Liberals who decided to stay away have said in recent days that they believed the debate over the constitutional declaration only served to further deepen divisions in the electorate over the role of Islam in Egyptian public life and as a result benefited the well-organized Islamists.

The military-led government met on Thursday night with Islamists leaders, and there were unconfirmed hints that the ground rules would be advisory and not binding on the constitutional drafting committee set to be picked after the elections, at least in part by the new Parliament. But the Islamists said that such a concession would be insufficient, accusing the military of trying to “manipulate public opinion” before the process began.

Many Islamist political parties from the giant Freedom and Justice Party founded by the Muslim Brotherhood, to the smaller parties founded by ultraconservatives known as Salafis and the relatively liberal Center Party — put up campaign banners and delivered speeches in the Friday demonstration, giving it the feel of a political rally.

Some demonstrators waved Saudi Arabian flags, but a few said they were carrying them only for their Islamic slogans, even though they objected to Saudi Arabia’s undemocratic rule. A vendor said he stocked the flags because he could not find flags of the Muslim Brotherhood and had gotten requests for Saudi flags, but he added that he was going to discontinue the practice because he had gotten complaints as well.

Mayy el Sheikh contributed reporting.

Iran receives a watered-down rebuke from U.N. nuclear watchdog

LONDON

BY ALAN COWELL

The global powers dealing with the bitter dispute over Iran’s nuclear intentions castigated Tehran on Friday over its suspected plans to build a nuclear weapon, but the rebuke fell far short of threatening further pressure or actions to curb Iran’s contentious uranium enrichment program.

The criticism nonetheless drew an immediate and sharp response from an Iranian envoy who insisted that his country would not be deterred for “a second” from a nuclear program it insists is for peaceful purposes. The diplomat also said Iran would not attend a planned meeting next week of Middle Eastern countries, called to discuss ways of freeing the world of nuclear weapons.

The exchanges came at the end of a two-day closed meeting of the 35-member board of governors of the International Atomic Energy Agency, the U.N. nuclear watchdog, at its headquarters in Vienna.

A resolution, approved overwhelmingly, did not refer to punitive measures against Tehran, reflecting the diplomatic balance between Western powers anxious to crank up pressure on Iran and two leading powers in the diplomacy, Russia and China, which have adopted a milder line.

News reports said the resolution expressed “deep and increasing concern about the unresolved issues regarding the Iranian nuclear program” following a recent I.A.E.A. report that accused

Tehran of engaging in secret and possibly continuing efforts to construct a nuclear weapon. The meeting approved the statement by 32 votes for and two — Cuba and Ecuador — against, with Indonesia abstaining.

The resolution did not set deadlines for Iran to comply, saying it was “essential” for Iran to intensify its dialogue with the I.A.E.A. and calling on Tehran “to comply fully and without delay with its obligations under relevant resolutions of the U.N. Security Council.”

In response, Ali Asghar Soltaniyeh, Iran’s ambassador to the I.A.E.A., said his country would not halt uranium enrichment even for “a second,” Reuters reported, signaling that his country would not retreat in the face of outside pressure. Earlier, the Iranian official had dismissed the resolution as “not legally binding, thus they are not applicable.”

Mr. Soltaniyeh also said his country “will not participate” in the planned gathering next week, under I.A.E.A. auspices, of Middle Eastern countries, likely to include Israel and Arab states.

Analysts said the resolution seemed less critical than sought by the Western powers involved in the dispute — the United States, Britain, France and Germany — apparently as a concession in lengthy and intense diplomatic wrangling with Russia and China, the other countries most directly involved.

Earlier, Mr. Soltaniyeh, the Iranian envoy, accused the I.A.E.A. of endangering the lives of Iranian scientists by releasing their names in an annex to the recent report on suspected nuclear weapons.

“The release of the names of the Iranian nuclear scientists by the agency has made them targets for assassination by terrorist groups as well as the Israeli regime and the U.S. intelligence services,” he said in a letter to the organization’s director general, Yukiya Amano.

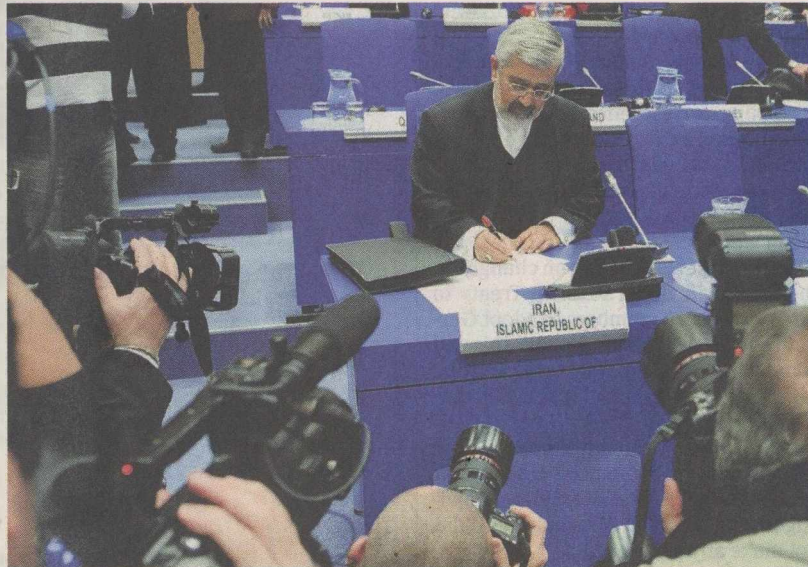
Parts of the letter were published by Iran’s state-financed Press TV satellite broadcaster, which noted that several Iranian nuclear scientists had indeed been killed in episodes blamed by Iran on Israeli, British and American intelligence services.

Mr. Soltaniyeh argued that disclosing the names of Iranian experts represented a violation of the agency’s rules and said Tehran reserved the right to seek damages from the I.A.E.A. for any harm to its personnel or property as a result of the report — a possible reference to Tehran’s frequently voiced fears of an Israeli military strike on its nuclear facilities.

The I.A.E.A. report has amplified talk of a potential Israeli attack — a move that Defense Secretary Leon E. Panetta said last week would have a “serious impact” on the Middle East and possibly on American forces in the region, without seriously disrupting Iran’s nuclear program.

On Friday, Mr. Panetta planned to meet Ehud Barak, his Israeli counterpart, and indicated that he would speak of potential “unintended consequences” from a military strike. He was speaking to reporters traveling with him to a security forum in Canada, where he is to meet Mr. Barak.

Mr. Panetta referred to a U.S. analysis that a strike on Iran would set back its



Ali Asghar Soltaniyeh, Iran’s ambassador to the International Atomic Energy Agency, in Vienna on Friday. He said his country would not halt enrichment even for “a second.”

nuclear program by one or two years at most and would also have implications for American forces in the region, Reuters reported.

“And I have to tell you, thirdly, there are going to be economic consequences to that, that could impact not just our economy but the world economy,” Mr. Panetta said. “So those things all need to be considered.”

In a further effort to press Iran toward a change of heart, Switzerland announced on Friday that it had added 116 names to a list of key people and institutions under financial and travel em-

bargo. The latest names — those of five people and 111 companies — included that of Foreign Minister Ali Akbar Salehi.

Mr. Amano, the head of the I.A.E.A., said Thursday that he wanted to send a high-level mission to Iran to investigate its nuclear program, but that idea seemed in doubt after the criticism of Tehran on Friday.

“It is clear that Iran has a case to answer,” Mr. Amano said at a news conference on Thursday. “We have to alert the world before nuclear proliferation actually takes place.”