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Riveting glimpse of oligarchs' world

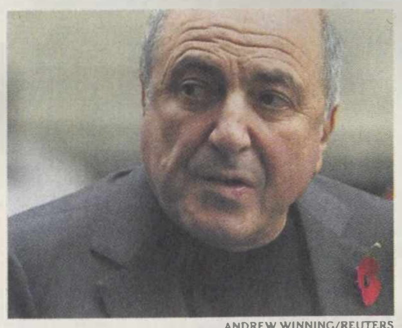
LONDON

Sheer scale of corruption startles even Russians inured to tales of greed

BY SARAH LYALL

In one corner sits Oligarch No. 1, Boris A. Berezovsky, beefy, pugnacious, litigious, voluble, hell-bent on revenge. In the other sits his erstwhile associate and current arch-enemy, Oligarch No. 2, Roman A. Abramovich, trim, reserved, terse, angry, extremely rich and extremely unhappy about being here.

The two men, who banded together to help plunder the spoils of post-Soviet Russia in the 1990s before spectacularly falling out, have been fighting an epic legal battle here in the High Court of Justice for the past month. Mr. Berezovsky, 65, claims that Mr. Abramovich owes him some $5.8 billion; Mr. Abramovich, 44, says he owes Mr. Berezovksy nothing at all.



ANDREW WINNING/REUTERS

Boris A. Berezovsky fled Russia in 2001 after running afoul of Vladimir V. Putin.

CARL COURT/AFP

Roman A. Abramovich says he handed over huge sums to Mr. Berezovksy.

One of the lawyers recently described the case as the largest private lawsuit in the world. But beyond its sheer scale, it is also proving a riveting window into the inner workings of a singular period in Russian history, when men of untold wealth and connections capitalized on rampant lawlessness and corruption to commandeer industries, neutralize enemies and fix elections.

In their testimony, and in hundreds of pages of court papers, the two men are exposing the secrets of that time — the sub rosa meetings, the millions of dollars thrown around like so much petty change, the extortion, the bribery, the sweetheart deals with corrupt governments. And although much has been written about oligarchs' seamy rise to riches, this is the first time so much has been revealed by the men themselves so matter-of-factly.

Even in a cynical and virtually unshockable Russia, some people are shocked. Novaya Gazeta, an opposition newspaper, recently called the trial the "Russian Assange," in a reference to the WikiLeaks disclosures.

By 1994, when the two men met while cruising the Caribbean in a private yacht, Mr. Berezovsky had felicitously moved on from his earlier job as an academic to become the owner of Russia's largest car dealership and an intimate of Boris N. Yeltsin, the Russian president. He and Mr. Abramovich, a former soldier and toy-duck importer who branched out into the oil business, decided to pool their resources in an audacious deal.

With Mr. Abramovich contributing business acumen and cash, Mr. Berezovsky would use his influence to persuade the government to privatize two Siberian oil holdings and then sell a stake in the new business, Sibneft, to him, Mr. Abramovich and the richest man in Georgia, Arkady Patarkatsishvili.

The deal would also help Mr. Berezovsky raise money (from Mr. Abramovich) to prop up his media company, ORT, which would in turn prop up Mr. Yeltsin's political career.

Mr. Berezovsky says the deal meant that he owned part of Sibneft and that Mr. Abramovich later bullied and blackmailed him into selling his stake for a mere $1.3 billion — only to turn around OLIGARCHS, PAGE 16

Turmoil in Italy and markets

ARNE DEDERT/EUROPEAN PRESSPHOTO AGENCY

The main German stock index plunged Wednesday, as did stocks and bonds around the world. The stocks of European banks that hold large amounts of Italian debt fell.

Rome shudders over uncertain political future

ROME

BY RACHEL DONADIO AND ELISABETTA POVOLEDO

Italy was engulfed in political chaos Wednesday that pushed the euro to its biggest test yet: Whether the Continent's third-largest economy will go the way of Greece or the way of Germany.

With borrowing rates now soaring to more than 7.4 percent, levels at which other euro zone countries sought bailouts, Italian lawmakers were frantically negotiating a way forward, while European leaders scrambled to forge a backup plan for a country too big to bail out.

The uncertainty over the timing of Mr. Berlusconi's departure — and questions over what would follow — kept Italy in the crosshairs of investors on Wednesday, and pushed President Giorgio Napolitano to issue a statement saying there was no doubt that the prime minister would resign as announced and that the Italian Parliament would approve austerity measures.

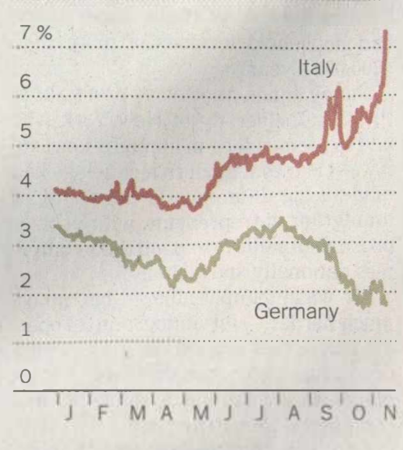
Indeed, the country's fate appeared in the hands not only of markets, but also ITALY, PAGE 4

Global stocks slide on worries over euro

Hamstrung by debt

Italy's borrowing costs have surpassed 7 percent, a level many analysts consider unsustainable.

10-year government bond yields



Source: Bloomberg

AMID MORE WRANGLING, GREECE DRIFTS
Nearing his exit, the Greek prime minister said an interim government was set, but gave no names. PAGE 4

SUPPORT FOR EURO RISKS DIVIDING E.U.
Behind the battle to save the euro is a struggle over power and influence within the European Union. PAGE 4

NEW YORK

BY GRAHAM BOWLEY

A day after Prime Minister Silvio Berlusconi offered to resign, international investors revolted Wednesday, driving down stock and bond markets around the world on skepticism that even a new leadership atop Italy could help Europe's most debt-beleaguered nation fix its finances and revive its economy.

Italy's cost of borrowing money soared, with its government bonds for the first time rising above a key threshold of 7 percent — a level at which Greece, Italy and Portugal sought international bailouts.

The difference this time is that Italy, the euro zone's third-largest economy, after Germany and France, and staggered by much more debt, operates on a vaster scale than those other smaller European countries. Many analysts question whether Europe or the international community has enough resources to prop up Italy. If the country cannot start paying off its €1.9 trillion, or nearly $2.6 trillion, in government debt, banks and other creditors that hold Italian bonds could find themselves infected by a financial contagion that could spread to other economies.

"This is a new phase of the crisis," said Nicolas Véron, a senior fellow at Bruegel, a research organization in Brussels. "This is uncharted territory."

The sharp market moves sent shudders across Europe, which has long feared a moment when its markets might finally seize up the way they did after Lehman Brothers collapsed in the United States in 2008. That moment may not yet have arrived, but many investors seem to be bracing for the worst.

In a sign of European officials' mounting concern, a delegation from the European Commission arrived in Rome on Wednesday to check on the country's plans for overhauling its economy. That visit came only days after the International Monetary Fund, a world lender of last resort, also said it would monitor Italy's progress — a rare intrusion for an economy the size of Italy's.

Greece, meanwhile, remained in its own political turmoil, unable to come to a resolution on who should lead that country as it, too, attempts to implement the reforms demanded by its bailout backers in the European Union and the I.M.F.

As if to underscore that point, Chancellor Angela Merkel of Germany pleaded for a game changer, calling for the European Union to rewrite the ground rules of unification.

Italian bond yields shot up to a new record of 7.48 percent, a level Italy's debt had never before reached since it joined the euro currency union. One of Europe's big clearing houses, where traders settle MARKETS, PAGE 17

As revolt splinters into factions, Egyptian voters grow skeptical

CAIRO

BY NEIL MACFARQUHAR

At the rally kicking off his campaign for Parliament, Basem Kamel, a core member of the youthful council that helped spur the end of the Mubarak regime, wrestled with his stump speech calling for civilian rule.

"We don't want to return to the Islam of the Middle Ages," said Mr. Kamel, his shaved head and white suit setting him apart in Sharabiyya, a drab, impoverished northern Cairo neighborhood in his campaign district. "I don't want the Islam that preaches 'I am right and everyone else is an infidel.'"

The official campaign for Egypt's first parliamentary elections since President Hosni Mubarak was toppled last February has started slowly, coinciding with a weeklong break marking the year's main Muslim holiday.

But the campaign's contours have been known for months, namely how a group of upstart, mostly liberal parties will challenge the well-organized juggernaut of the Muslim Brotherhood, as well as remnants of the old regime's political machine. The question shadowing the election is whether a robust enough Parliament will emerge to fulfill an elusive goal of the revolution: challenging the military's 60-year grip on power. EGYPT, PAGE 5

BUSINESS

Solar-panel battle heats up

The prospect of a trade war between the United States and China looms greater after U.S. Commerce Department officials said they would investigate claims by solar energy companies that their Chinese competitors are selling equipment for less than cost. PAGE 15

E.U. will bolster online privacy

Changes planned for the European Union's privacy laws could require companies like Google and Facebook to abide by the Continent's stricter rules on data collection or face fines. Facebook has already faced requests in Europe to audit its data gathering. PAGE 15

SPORTS

Penn State coach sets departure

Joe Paterno announced that he planned to retire at the end of the football season, but it remained unclear whether Penn State would allow him to coach that long in the wake of a sexual abuse scandal. PAGE 13

WORLD NEWS

MATT DUNHAM/THE ASSOCIATED PRESS

Dissent in Britain Students, taxi drivers and electricians like this one in London staged protests Wednesday ahead of a strike Nov. 30 by public-sector workers. PAGE 3

Russia races to fix spacecraft

A Russian space probe became stuck in orbit Wednesday after an equipment failure, raising fears. PAGE 3

Iran sanctions face hurdles

A tougher stand against Iran faces economic hurdles and opposition from Russia and probably China. PAGE 6

VIEWS

Thomas L. Friedman

India and the United States are going through remarkably similar bouts of introspection. Both countries are witnessing grass-roots movements against corruption and excess. PAGE 9

To stop Iran, lean on China

As Iran nears the nuclear weapons threshold, the best way to stop it may be by punishing the Chinese companies that supply Tehran and enable its progress, writes Ilan I. Berman. PAGE 8

ONLINE

Helping people beyond pain

Donna Ferrato started chronicling sexual adventurers on the edge of eroticism. But she was jolted into action by domestic violence, and spent the 1980s living with and photographing victims and abusers, culminating in the book "Living With the Enemy." Now she is beginning a campaign to encourage women to leave abusive relationships. lens.blogs.nytimes.com

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CURRENCIES NEW YORK, WEDNESDAY 1:30PM

			PREVIOUS
▼ Euro	€1=	$1.3600	$1.3840
▼ Pound	£1=	$1.5960	$1.6090
▼ Yen	$1=	¥77.680	¥77.670
▼ S. Franc	$1=	SF0.9060	SF0.8950

Full currency rates Page 19

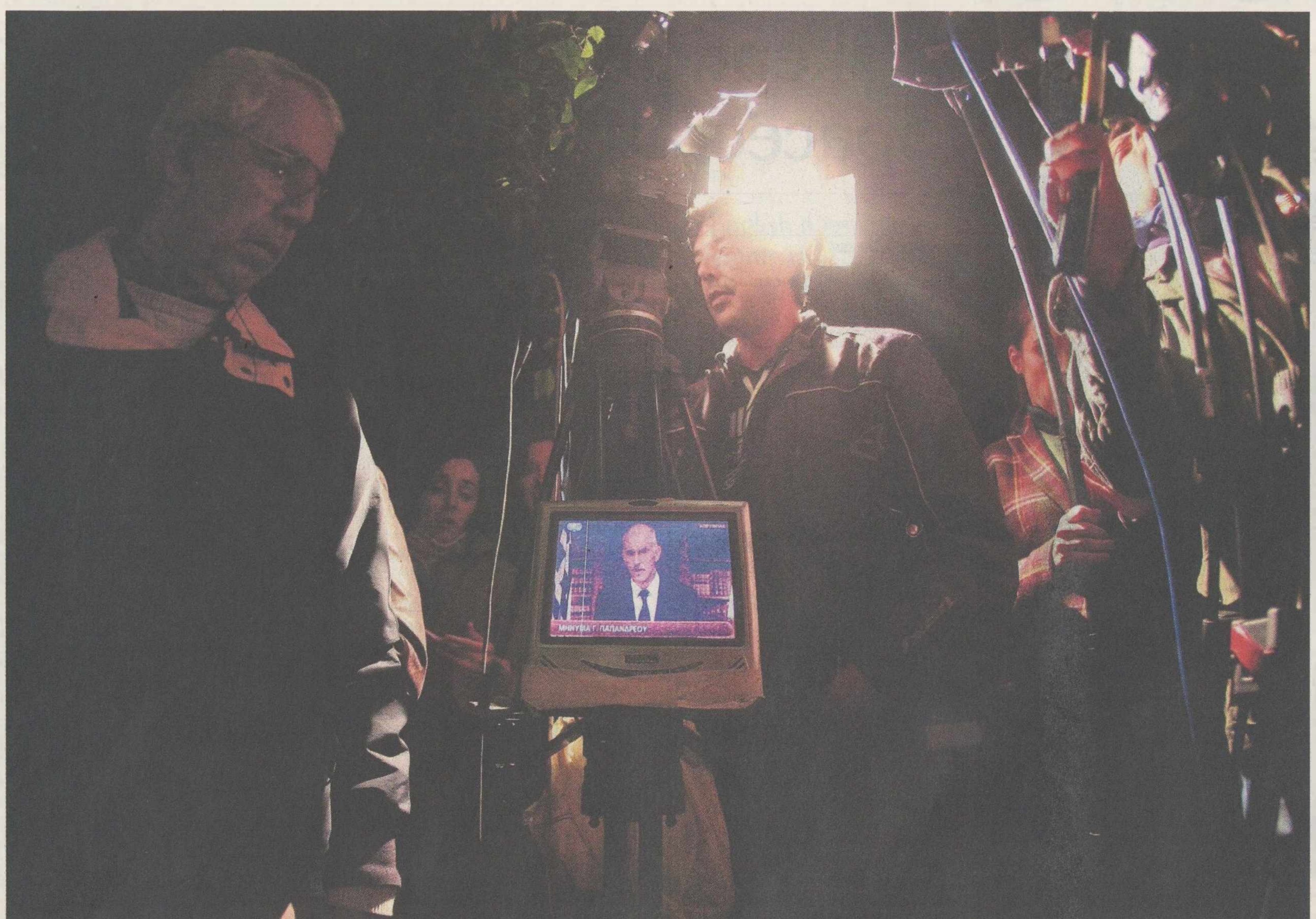
STOCK INDEXES WEDNESDAY

▼ The Dow 1:30pm	11,932.50	-1.95%
▼ FTSE 100 close	5,460.38	-1.92%
▲ Nikkei 225 close	8,755.44	+1.15%

OIL NEW YORK, WEDNESDAY 1:30PM

▲ Light sweet crude	$97.25	+$1.09

WORLD NEWS EUROPE



ALKIS KONSTANTINIDIS/EUROPEAN PRESSPHOTO AGENCY

The Greek prime minister, George Papandreou, captured on a TV monitor before meeting with the nation's president, Karolos Papoulias, in Athens on Wednesday.

Amid political wrangling, Greece drifts

ATHENS

Near exit, Papandreou says interim government set, but gives no names

BY NIKI KITSANTONIS

Prime Minister George A. Papandreou went on national television on Wednesday evening to announce that a new interim government had been formed. But he did not name his successor, and no announcement came after a meeting with the president in which Mr. Papandreou was to resign.

Instead, the president's office announced that the meeting, which included the opposition leader Antonis Samaris, would resume on Thursday morning, further lengthening the country's political paralysis in the face of enormous financial challenges.

After months of domestic protests and increasing pressure from the European Union, Mr. Papandreou agreed on Sunday to step down once political negotiators had established a unity government. But the talks have been beset by nearly constant reverses.

The choice for interim prime minister is difficult since that figure is certain to suffer political damage from the tough and thankless work that will be involved in running the interim administration. The conservative opposition, which has has its eye on early elections, is trying to avoid the taint of inflicting more austerity on the country.

In Mr. Papandreou's speech, given ahead of the meeting with President Karolos Papoulias, he promised that the country's new government would signal the "beginning of a new political mentality, a new political culture."

But the meeting between the two men and Mr. Samaras appeared to perpetuate the crippling stalemate. Another political leader, who also had gone to the president's residence, was forced to wait in a separate room and left in a huff, visibly exasperated.

"It is a great shame that at such critical times the leaders of the two main parties are playing tactical games and undermining the president and all he represents," that leader, Giorgos Karatzaferis, said outside the president's residence.

On Wednesday, Greek media reported that a large number of parliamentarians from the governing Socialist party, Pasok, were vehemently opposed to the apparent choice for prime minister of the Parliament speaker, Filippos Petsalnikos, a close friend of Mr. Papandreou's and a party stalwart. Many outlets reported that the conservative opposition New Democracy party would be satisfied for virtually any Pasok official to take the role of interim premier.

Mr. Papandreou's speech appeared disconnected from the rocky political situation. "Today we leave aside our differences," he said, heralding "a common effort to ensure the country moves forward, not only to remain part of the euro zone but also to emerge from the crisis."

He said the interim government would make the necessary efforts to "justify the sacrifices made by the Greek people over the past two years," referring to a raft of wage and pension cuts as well as hefty tax increases. The chief goals would be to secure crucial rescue financing for the country and continue talks with foreign creditors, he said.

Some interpreted the tone of his speech as signaling his departure not only from Greek politics but from the country itself. "I never put my position above the national good," Papandreou said. "For me, Greece is above everything. Wherever I go, I will carry the Greek flag in my heart."

He added that he would do everything he could to support the new prime minister and the new government.

At one point, it had appeared that Lucas Papademos, an economist, was on the verge of being named to succeed Mr. Papandreou. But the list of candidates also included an array of senior figures, among them Finance Minister Evangelos Venizelos; Vassilis Skouris, president of the European Court of Justice; and the speaker, Mr. Petsalnikos.

Greece's new administration has a difficult road ahead. Its first job will be to secure the next installment of aid, which is needed by December, Greek officials say, or the country will be unable to pay its bills.

But it must also secure approval of the loan deal, which requires that Parliament adopt a new round of austerity measures, including layoffs of government workers. It also calls for permanent foreign monitoring to ensure that Greece delivers on promised structural changes.

Support for euro risks splitting E.U.

BRUSSELS

Britain and 9 others outside the zone fear exclusion from decisions

BY STEPHEN CASTLE

Behind the urgent battle to save Italy and Greece from bankruptcy, another struggle is simmering: over power and influence in a European Union that risks separating into two, one an inner core that sets economic policy for the continent, and another that is forced to follow.

NEWS ANALYSIS

On Wednesday, Nick Clegg, the deputy prime minister of Britain, which is a prominent member of the European Union but remains outside the euro, urged the 17 nations that use the currency not to create "a club within a club" as they integrate to save their currency.

His comments came just two days after the 10 noneuro nations of the European Union convened discreetly over dinner in a Brussels hotel while, down the road, euro zone finance ministers were grappling with the crisis in Greece.

The gathering of the "outs" was a warning that those outside the currency intend to fight for their interests as Europe deals with the fallout from the debt crisis.

The E.U. used to be based on the principle that its members would integrate, though that began to fragment with the advent of the euro and the bloc's passport-free Schengen travel area, when some nations opted out of one or both. But the urgent need for euro zone nations to give up more control of their finances to save their currency could pose the biggest challenge yet.

Britain worries that, within an integrated euro zone, France's more statist economic vision will gain ground because nations more oriented to free markets — like Britain, Sweden, Denmark and Poland — will be excluded.

Worse, the 17 euro nations might stitch up deals among themselves before the 27 E.U. members have even discussed issues that affect all members.

President Nicolas Sarkozy of France fueled anxiety Tuesday when he said that the "two-speed" model for Europe was the only way forward, given the prospect of more countries' joining the European Union.

"There are 27 of us," he told French students in Strasbourg, Reuters reported. "Clearly, down the line we will have to include the Balkans. There will be 32, 33, 34 of us. No one thinks that federalism, total integration, will be possible with 33, 34 or 35 states."

The president of the European Commission, José Manuel Barroso, pleaded for unity.

"A split Union will not work," he said in remarks prepared for delivery Wednesday. "That is true for a Union with different parts engaged in contradictory objectives; a Union with an integrated core but a disengaged periphery; a Union dominated by an unhealthy balance of power."

But the "outs" are anxious. Jacek Rostowski, finance minister of Poland, which is outside the euro, praised deeper integration within the euro zone Tuesday but also welcomed "any additional actions that ensure that this deeper integration will not translate into opening a gap between the 17 and the 10."

Mr. Clegg, in his speech in Brussels, seconded the point.

"As the euro zone restructures," he said, "we may need to consider safeguards. And decisions that affect the 27 must always be taken by the 27."

Britain frets that an economic policy more clearly influenced by France could tilt the regulatory burden against Britain's large financial sector.

Mr. Clegg highlighted his opposition to plans, supported by Germany and France, for a financial transaction tax in Europe, arguing this would "have a massively disproportionate impact on the City of London," its financial district.

Britain is particularly concerned about threats to the E.U.'s single market, which seeks a level playing field for trade within the bloc.

Yet the dinner meeting of the 10 "outs" on Monday — the second of its type — suggests that the countries outside the euro zone are at least as divided as those on the inside. With the exception of Britain and Denmark, which have opt-outs, all are obliged to join the single currency eventually.

Although many have suspended that idea for now, several still hope to join and are wary of identifying themselves with Britain, which has ruled out euro membership for the foreseeable future.

Nor is there automatic agreement on policy, for example, on the financial

"We may need to consider safeguards."

transaction tax, where supporters and opponents are drawn from both euro and non-euro nations.

Poland holds the rotating presidency of the European Union, and Mr. Rostowski was included in one euro zone teleconference this year only to be barred from later gatherings after objections from France, said one diplomat speaking on condition of anonymity.

Poland is nevertheless pressing for observer status for non-euro members at euro zone meetings. History suggests it is unlikely to succeed. When Gordon Brown was chancellor of the British Exchequer, he fought for that right and lost as long ago as 1998.

The French finance minister at the time, Dominique Strauss-Kahn, dismissed Mr. Brown's plea, observing that, in a marriage, one did not invite strangers into the bedroom.

Rome shudders over uncertain future

ITALY, FROM PAGE 1

of Mr. Napolitano, an 86-year-old former Communist who must exercise moral suasion on a government better known for its sex scandals than its economic policies.

In a statement on Wednesday, the president said that, following Mr. Berlusconi's resignation, he would either form a new government quickly or take the necessary steps to go to early elections, adding that in any case "emergency measures" could be adopted "at any time," so there was no risk of prolonged political instability in Italy.

While Mr. Berlusconi has said he wants new elections, momentum appeared to be building on Wednesday for a government guided by a respected non-politician. On Wednesday evening, Mr. Napolitano named Mario Monti, a former European commissioner and the most widely discussed candidate to guide such a government, a senator for life, a move that elevated Mr. Monti's name in the spotlight.

The marketplace jitters also spurred Italy's deadlocked Parliament, which moved with uncharacteristic urgency, agreeing to start discussion of the measures on Wednesday, with the aim of adopting them as early as the weekend, several lawmakers said.

But concerns remained that the measures, whose contents were officially presented by Giulio Tremonti, the finance minister, might not live up to the stringent demands of the financial markets.

A letter to Mr. Tremonti sent last week by Olli Rehn, European commissioner for economic and monetary affairs, had expressed doubts that the measures would "ensure the achievement of a balanced budget in 2013."

Attached to the letter was a 39-point questionnaire asking for detailed expositions of how Italy intended to maintain its promises, a survey whose comprehensiveness exposed the vagaries of initial Italian pledges to the European authorities.

"Could the government spell out in detail its plans on the sale of state-owned assets?" was one question. "Is the government considering re-introducing the property tax on owner-occupied dwellings?" was another, referring to a tax that Mr. Berlusconi abolished.

The difficulties in proposing, let alone enforcing, the measures stem from deep divisions within the center-right coalition, a patchwork of conflicting interests.

In August, the European Central Bank demanded structural changes in exchange for buying Italian debt. Parliament pushed through some debt-cutting measures, including cuts to local government and tax hikes. But some experts said that Euroskeptic factions in the Berlusconi government, most notably the Northern League, had never taken the demands seriously.

"There is resistance to the notion of being governed by the E.U., although there is a general perception that without the E.U. constraint Italy cannot be reformed," said Sergio Fabbrini, director of the Luiss School of Government and professor of political science and International Relations in Rome.

A delegation from the European Commission and the European Central Bank began meeting with officials in Rome on Wednesday to increase surveillance of Italy's reform program, days after the International Monetary Fund said it would monitor Italy's progress.

The debt crisis has dovetailed not only with the slow collapse of the Berlusconi government, but also with the end of a 17-year era in which Mr. Berlusconi radically transformed — and personalized — Italian politics, leaving the country effectively unable to carry out an orderly political transition that might be normal in most other democracies.

"This agony is long because it's not the end of a government but the end of a system," said Massimo Franco, a political commentator for Corriere della Sera. "And because the person in question is one who doesn't have a sense of the state, someone who subordinates everything to his own personal survival."

Political jockeying on Wednesday suggested that the transition toward a post-Berlusconi era will be bumpy, at least in the short-run.

Most opposition parties, and some members of Mr. Berlusconi's party, are averse to the polls. There are concerns

MARIO DE RENZIS/EPA

President Giorgio Napolitano said Parliament would approve austerity measures.

that the pressure on Italy cannot withstand a prolonged period of political inertia during a campaign whose outcome could spell more uncertainty.

The center-right coalition has proven unwilling to enact reforms and the center-left opposition is weak and divided, including over economic policies.

Even as the center-left opposition leader Pier Luigi Bersani insisted that his Democratic Party would support a unity government led by a non-politician ahead of early elections, others are not convinced that his party is ready to govern.

"The opposition is unprepared for these elections," said Roberto D'Alimonte, a professor of political science at Rome's LUI University. "They have to make critical decisions in a hurry, but I doubt they'll be able to do it in time to inspire voters." That, he predicted, would result in "very tense elections."

Complicating matters is Italy's electoral law, passed in 2005 and designed to transform Italy's multi-party parliament into a more governable two-party American-style system. But it gave party leaders not caucuses the power to choose their candidate lists, preventing voters from choosing who would represent them. Italy's Constitutional Court is now deciding whether or not to put the law to a referendum.

The political stalemate comes at a time of rising risk. Barclay's bank on Wednesday issued a note saying that Italy "may be beyond the point of no return."

Murdoch heir faces inquiry for 2nd time

LONDON

BY SARAH LYALL AND DON VAN NATTA JR.

James R. Murdoch may have embarrassing questions to answer when he returns Thursday to testify before a parliamentary committee investigating the phone-hacking scandal that has engulfed News Corp. Documents released since his first round of testimony in July cast doubt on his version of events, while fresh disclosures have spilled out about his company's questionable practices.

Mr. Murdoch, the company's deputy chief operating officer and the younger son of its chairman, Rupert Murdoch, was a deft and deflecting witness on July 19, nimbly parrying lawmakers' questions while maintaining essentially that he had learned only recently how widespread the hacking problem really was. Now he will be faced with defending himself against mounting evidence that top executives at News International, the company's British newspaper arm, knew a full three years ago that hacking was pervasive at The News of the World, the tabloid newspaper that the company shut down days before James Murdoch's first appearance, and that the executives had discussed it with him at the time.

"Obviously, there are things which the committee wishes to raise with him, particularly in relation to some of the evidence we have received since he testified," said John Whittingdale, a Conservative member of Parliament who is chairman of the Select Committee on Culture, Media and Sport, which is holding the hearing.

Mr. Murdoch will also be asked about News International's behavior after the investigation into its hacking operation intensified.

The company acknowledged this week that over the past year and a half, The News of the World had hired a private investigator to conduct covert surveillance of two lawyers who were representing victims of phone hacking.

Recently released News of the World documents, some of them obtained by the parliamentary committee from News International's former lawyers, Farrer & Co., show that on June 3, 2008, a lawyer warned company executives in a memo that there was "a powerful case that there is (or was) a culture of illegal information access" at the paper.

The lawyer, Michael Silverleaf, also said there was "overwhelming evidence of the involvement of a number of senior journalists" in the newspaper's attempts to obtain information illegally about Gordon Taylor, the chief executive of the Professional Footballers' Association.

Mr. Silverleaf's memo was written at a time when top News International executives, including Mr. Murdoch, were mulling over how to respond to Mr. Taylor's claim that his voice mail messages had been repeatedly hacked by The News of the World. Mr. Silverleaf counseled them to handle the case privately. "To have this paraded at a public trial would, I imagine, be extremely damaging" to the company, he said.

Even more potentially worrying for Mr. Murdoch is the growing body of evidence that other executives discussed

"Some of the evidence we have received since he testified" will be at issue, the head of a parliamentary panel said.

newly discovered details of phone hacking at the newspaper with him around the same time.

For example, a note by Julian Pike, a Farrer & Co. lawyer, dated May 27, 2008, says that Colin Myler, editor of The News of the World, spoke to Mr. Murdoch about Mr. Taylor's claims and that the two men decided to refer it to outside counsel. Another note two weeks later — after Mr. Silverleaf wrote his damning conclusions — says that after meeting Tom Crone, who was the legal manager of News International at the time, Mr. Murdoch "said he wanted to think through options" about how to proceed in the case.

Several days later, according to Mr. Pike, Mr. Murdoch authorized News International to pay Mr. Taylor more than £450,000, or $725,000, and legal fees exceeding £200,000. Mr. Pike has said that Mr. Murdoch personally authorized the amount, in exchange for a pledge of confidentiality, to keep the matter from being made public.

Mr. Murdoch, 38, has been seen for some time as his 80-year-old father's heir at the top of the sprawling News Corp. media empire. He got a vote of confidence last week when Chase Carey, News Corp.'s chief operating officer, said he was doing a "good job."

On Thursday, though, Mr. Murdoch's credibility may be on the line. He has always maintained that when he authorized the Taylor payment, he was acting on the advice of lawyers and had no reason to believe that hacking had gone beyond the actions of a single "rogue reporter" — Clive Goodman, the former royals reporter at The News of the World, who was jailed in 2007 for intercepting private voice mail messages of members of the royal household. But the lawyers' notes indicate that Mr. Murdoch had several discussions with other executives who knew that the hacking was more widespread before he agreed to the settlement with Mr. Taylor.

Mr. Myler and Mr. Crone came forward over the summer to dispute Mr. Murdoch's testimony in July, telling the committee that they had informed Mr. Murdoch of a damning piece of e-mail marked "for Neville" — a reference to Neville Thurlbeck, The News of the World's chief reporter, who was given transcripts of illicitly intercepted phone messages.

In his July testimony, Mr. Murdoch denied knowing about the "for Neville" e-mail.

The committee also plans to ask about a report by The Guardian last weekend that Rebekah Brooks, the former News International chief executive who was arrested in July on suspicion of phone hacking and illegal payments to police officers, received a severance package of £1.7 million, an office and a car and driver when she resigned.

A spokesman for Ms. Brooks did not return calls seeking comment. A spokeswoman for News Corp. said she could not comment on Ms. Brooks's severance agreement or on what James Murdoch did or did not know. "Whatever he has to say, I think it's appropriate that he says it to the committee on Thursday," she said.

EDITORIAL OPINION

Views

International Herald Tribune

THE GLOBAL EDITION OF THE NEW YORK TIMES

SYRIAN INTRANSIGENCE AND THE ARAB LEAGUE

Arab states must press much harder for international sanctions and urge the U.N. to condemn the Assad regime.

President Bashar al-Assad of Syria has made a mockery of the Arab League peace initiative. Since he signed the document, his security forces have mercilessly attacked the city of Homs with heavy weapons, hunted down army defectors and killed scores of pro-democracy protesters. The United Nations says 3,500 protesters have been killed in the crackdown on the popular uprising.

In signing the peace document, Mr. Assad pledged to pull the military from restive cities, release political prisoners and start talks with the opposition on democratic reforms. His only gesture: releasing 500 detainees while leaving perhaps thousands of protesters in jail.

When Arab League foreign ministers meet on Saturday, they should eject Syria and urge the United Nations Security Council to condemn Mr. Assad and impose international sanctions against the regime.

Russia and China will find it harder to block a Security Council resolution — as they did in October — if the Arab world calls for action that goes beyond the sanctions already imposed by the United States and Europe.

At a minimum, the United States and Europe should push the Security Council to demand that Syria allow international news media and monitors into the country. Mr. Assad might be less inclined to brutalize his people if he knows the world is watching.

It is extremely disappointing that Prime Minister Recep Tayyip Erdogan of Turkey still has not backed up his tough anti-Assad talk — and his support for the Syrian opposition — with tough sanctions.

He may worry about harming Turkey's business community if he tries to reduce Syrian-Turkish trade. But, one way or another, Mr. Assad eventually will be gone.

It is in Turkey's interest and the interest of the region to ratchet up economic and political pressure so that change happens sooner, before violence spreads. One serious concern is that an Assad-led Syria will stoke Kurdish separatists to expand their continuing conflict with Turkey.

The Syrian opposition has work to do. It still needs to translate its campaign into a coherent vision of governance after Assad and what that will mean for the country's Sunni, Alawite and Christian communities.

Until then, Syria's neighbors need to help them force the Assad regime aside.

A MASTODON'S RIB

Recent research makes a compelling case for a pre-Clovis human presence in North America.

Just when did human beings first appear in North America? For years, scientists based that calculation on stone tools found in the 1930s near Clovis, New Mexico They suggest, through radiocarbon dating, a culture that existed 13,000 years ago.

But those weapons were too late to explain the hunting out of megafauna, like mastodons, near the end of the Pleistocene era. There was either a "Clovis blitzkrieg," — a swift, cataclysmic killing by humans — or there were hunters living long before the Clovis tools were made.

Now, according to a study reported in the journal Science, scientists have found evidence, embedded in the rib of a mastodon, suggesting that humans were hunting some 800 years earlier than the Clovis remains.

The mastodon was excavated in Washington State in the 1970s. Buried in a rib on its right side is a bone or antler projectile point, most likely from a thrusting spear. There was no bone growth around the wound, which means the mastodon died quickly and a new analysis suggests that happened around 13,800 years ago.

The scientific team, led by Michael Waters at Texas A&M University, used a variety of techniques, including various kinds of mass spectrometry, tomographic scanning and DNA analysis, to come up with that estimate. Their research, coupled with other evidence, makes a compelling case for a pre-Clovis human presence.

Eight hundred years doesn't sound like much when seen against a backdrop of tens of thousands of years. But imagine, for instance, that Columbus reached America in 692, not 1492, or that the American Revolution began in 975 rather than 1775 — or, the other way around, in 2575. Human cultures can be very short, just long enough to leave a punctuating trace in the rib of a mastodon.

To stop Iran, lean on China

The best way to stop Iran from achieving its nuclear goals is to punish Chinese companies that supply Tehran.

Ilan I. Berman

WASHINGTON The International Atomic Energy Agency has released a report on Iran's nuclear program that provides the most convincing evidence to date that Iran is close to producing a nuclear weapon.

But as Iran nears the nuclear threshold, the best way to stop it may be by punishing the Chinese companies that supply Tehran and enable its nuclear progress.

The Obama administration seems to understand this. The late September visit to China by David S. Cohen, the Treasury Department's new under secretary for terrorism and financial intelligence, included the most explicit warning yet to Beijing that its banks and financial institutions could face sanctions if they continued to do business with Iranian entities.

The move is significant. More than a year ago, President Obama signed into law a series of sweeping sanctions cumulatively aimed at throttling Iran's energy sector. Yet so far, China has mostly gotten a pass on its engagement with Iran.

Those ties are broad — and getting broader. In recent years, China's economic dynamism has brought with it a voracious appetite for energy. This has made energy-rich Iran a natural strategic partner. In 2009, Iran ranked as China's second largest oil provider, accounting for some 15 percent of Beijing's annual imports.

In exchange, China has aided and abetted Iran's quest for nuclear capacity. Diplomatically, it has done so by complicating oversight of Iran's nuclear program, and by resisting the application of serious sanctions against Tehran. More directly (and dangerously), it has turned a blind eye to Iranian acquisitions of sensitive technology and materiel for its nuclear program from Chinese sources.

Over time, Chinese leaders have become convinced that Washington prioritizes bilateral trade with Beijing over security concerns about Iran, and that it therefore won't enact serious penalties for China's dealings with Iran. This has allowed Chinese officials to pay lip service to international efforts to rein in Iran's nuclear program while quietly playing a key role in nurturing Tehran's nuclear quest. The result is clear: when it comes to Iran, China today isn't part of the solution; it's part of the problem.

As David Albright of the Institute for Science and International Security has noted, China is becoming Iran's key enabler, supplying much of the equipment that Tehran needs to keep its nuclear effort up and running in the face of international sanctions. "China does not implement and enforce its trade controls or its sanctions laws adequately," Mr. Albright argued earlier this year. Indeed, a concerted Chinese crackdown on firms involved in nuclear commerce with Iran would effectively cripple Tehran's atomic program.

Washington, worried about potentially destabilizing economic effects, has historically shied away from putting pressure on Beijing over its ties to Iran. But if the Obama administration is serious about halting Iran's nuclear program, it must do so by sanctioning companies like the China National Offshore Oil Corporation, or Cnooc, which has been developing Iran's mammoth North Pars natural gas field since 2006, and PetroChina (which supervises the import of some three million tons of liquefied natural gas annually from Iran). Both are publicly traded on the New York Stock Exchange and therefore subject to penalties under existing law.

Mr. Cohen's recent jaunt to Beijing was intended to convince the Chinese government that it must decisively curtail its ties to Tehran, or face real economic costs. This message needs to be coupled with the application of concrete economic penalties — from bans on United States-based energy projects to prohibitions on financial transactions that fall under American jurisdiction — that are intended to persuade Chinese companies, including Cnooc and PetroChina, to scale back their economic contacts with Iran. At the same time, greater targeted sanctions and asset freezes are needed to bring to heel Chinese individuals and entities that are currently complicit in Iran's nuclear advances.

After all, the last, best hope of peacefully derailing Iran's nuclear drive lies in convincing Beijing that "business as usual" with Tehran is simply no longer possible.

ILAN I. BERMAN *is vice president of the American Foreign Policy Council.*

Can the W.T.O. change Russia?

Putin & Co. tend to see the group as a political tool rather than a means to stimulate trade. But for Russia's economy to modernize, they'll have to adapt.

Dominic Fean

If Vladimir Putin returns as planned to the presidency in 2012, he will once again face the challenge of modernizing the Russian economy. This is something both he and his seat-warmer, Dmitri Medvedev, have failed to achieve during three consecutive presidential terms. On Thursday, a meeting of the working group on Russia's accession to the World Trade Organization is expected to end 18 years of negotiations by finalizing terms of membership for Russia, the largest economy outside of the trade body. Even Georgia, which fought a war with Russia in 2008, is now on board. Once the few remaining issues are overcome, Russia should become a member during a ministerial meeting on Dec. 15.

W.T.O. membership will offer Russia some of the tools to rebalance its economy, which relies heavily upon selling the nation's oil. Yet it presents challenges too. While membership promises increased market access for Russian exports, Moscow will have to open Russia to foreign imports. Agreements will need to be implemented as a means to attract investment, stimulate trade and increase competition. However, previous actions by the Russian authorities give ample cause for concern.

The current political elite is little inclined toward economic liberalism. The coercion of foreign investors in favor of national economic champions, protectionism during the 2009 economic crisis and Russia's willingness to engage in trade wars with neighboring states have demonstrated this. They have long seen W.T.O. accession as a political rather than technical process: For them, tariff reductions are concessions to trade partners, rather than a means to stimulate trade and competition.

They also tend to view membership as an entitlement. During bilateral negotiations with Georgia, Putin stated that it was down to the United States and European Union to secure Russia's accession. As such, Russian authorities at the highest level have demonstrated little affinity for W.T.O. principles.

A customs union among Russia, Kazakhstan and Belarus is another constraint: It has little economic justification and a 2009 plan for all three to join the W.T.O. as one bloc nearly delayed Russian accession further. Moves have been taken to reconcile customs union obligations with Russia's W.T.O. accession; nevertheless, the project shows Russia's use of trade for political ends, aiming to preserve Soviet era trade patterns that W.T.O. market access would likely disrupt.

Industrial and agricultural lobbies have opposed entry, claiming that Russian companies require more time before facing global competition. However, little has been done to make Russian industry more efficient in the last 18 years, even without unfettered competition.

The challenges of membership are not limited to economic policy; they also undermine the political model that has come to define Russia since 2000. Under Putin, Russian citizens accepted reduced political freedoms in exchange for stability and economic growth. Within the W.T.O., Moscow will have fewer means to support inefficient industries against competition from abroad. This could cause problems for the 460 monotowns, which rely on one factory or industry for jobs and public utilities.

Certainly, Russia does not stand to reap immediate rewards from membership. World Bank studies stress that while all households will benefit in the long run, some will confront initial challenges of retraining or relocation. The government will struggle to maintain its legitimacy if it does not provide ample means for these costs to be met.

As a major oil exporter, over 50 percent of its foreign trade is already tariff free. However, the metallurgy and chemicals industries stand to gain from increased market access and protection from antidumping measures. In time, other industries will benefit from restructuring and increased productivity stimulated by increased competition.

Russia needs foreign capital in order to affect its modernization and is aware of the need to project a more positive investment image. World Bank analysis also stresses that the largest gains from W.T.O. membership will come from increased foreign investment in the Russian market for services. Clearly, W.T.O. membership alone will not convince cautious investors, but opening the Russian economy to international practices can only have positive benefits for the business climate.

Still, to become a truly open economy, Russia will need to use W.T.O. membership as a springboard for wider economic change. It is Putin who will face the tough realities of implementing W.T.O. commitments, leading an elite that has long favored protectionism and subsidy over serious reform. However, the long-term benefits of membership should outweigh the initial costs. Russia will first have to make courageous decisions on which industries are truly sustainable and take measures to protect the population from the upheaval of adjustment.

DOMINIC FEAN *is a junior research fellow at the Russia/New Independent States Center at the French Institute of International Relations.*

ANDREY RUDAKOV/BLOOMBERG NEWS

Enabling the euro crisis

The failure of Europe's financial system has resulted from the policies of the European Central Bank.

John Quiggin

The escalating debt crisis in Europe has claimed the political career of one prime minister, George A. Papandreou of Greece, and threatened that of another, Silvio Berlusconi of Italy. Despite popular resistance, governments are racing to stay ahead of the bond markets by slashing their budgets. The drama of meetings, proposals, counterproposals and popular unrest seems destined to end in tragedy.

But the theatrical atmosphere of these negotiations within the European Union has overshadowed an event that may prove to be far more significant in the long run than the Greek referendum. It has also sustained a narrative about the sovereign debt crisis that is deeply misleading.

According to this narrative, the crisis shows the impossibility of managing a common macroeconomic policy in a system where decisions require the agreement of 27 member states, including the 17 that share the common currency, and a vastly diverse Continent with different countries that face different growth and consumption patterns and have different business cycles.

These are real problems. But they are not the reason for the systemic failure of the European financial system. Overwhelmingly, this failure has been caused by the policy choices of one of the few European institutions that has the capacity to act unilaterally and decisively: the European Central Bank.

Far from struggling to manage a "one size fits all" monetary policy, the bank has pursued a "one size fits nobody" policy of monetary contraction, at a time when no European economy is growing strongly. With great reluctance, the bank has agreed to support the markets for European sovereign debt through purchases of government bonds. But, unlike the policy of quantitative easing pursued by the Federal Reserve — in which the United States' central bank amassed Treasury securities to push down long-term interest rates — the European Central Bank has insisted on "sterilizing," or neutralizing, its purchases of government bonds by selling the securities to private-sector banks. Such a policy cannot be sustained on a scale sufficient to stabilize financial markets.

This is part of a broader problem: The European Central Bank's conception of its own role. The bank was established in 1998, at a time when memories of the inflationary surge of the 1970s and 1980s were still fresh. It was therefore given a mandate that focused primarily on inflation, and has interpreted that mandate very narrowly.

Unlike any previous central bank in history, the bank has disclaimed any responsibility for the European financial system it effectively controls, or even for the viability of the euro as a currency. Instead, it has focused almost entirely on the formal objective of keeping inflation rates to a 2 percent target.

And this brings us to the most crucial recent event: not the drama in Greece but the departure of Jean-Claude Trichet as the central bank's president on Nov. 1. More than any other single person, Mr. Trichet has embodied the systemic failure of European financial institutions.

Having failed to predict or resolve the crisis, Mr. Trichet has compounded his errors by denying them. Rather, he pronounced his own performance as "impeccable," because inflation rates had been kept at or below the target level. Any change of course in European policy would require him to admit his mistakes, and that is clearly impossible.

In a desperate attempt to pretend that precrisis normality had returned, Mr. Trichet even raised interest rates in two steps, in response to marginal deviations from the central bank's target inflation rate. This was the worst possible response to a debt crisis.

Mr. Trichet's replacement, Mario Draghi, has shown no particular signs of independent or creative thinking. Nevertheless, he has one great asset: He is not Mr. Trichet. Free from the need to defend the past policies of the European Central Bank, Mr. Draghi has the opportunity to wipe the slate clean.

Indeed, he has already shown some signs of fresh thinking, with his decision last Thursday to cut the euro zone's benchmark interest rate by a quarter of a percentage point, to 1.25 percent.

But Mr. Draghi needs to do even more if he is to avoid becoming the first central banker in recent history to preside over the collapse of the currency he was appointed to manage.

The crucial step is to announce that the central bank will stand behind the sovereign debt of euro-zone members, if necessary at the expense of the 2 percent inflation target. This would give governments the financial resources they needed to recapitalize banks. Since the crisis is largely one of confidence, it is likely that bond markets would stabilize without the need for large-scale bond purchases, once there was a credible commitment to intervene where necessary.

In his first news conference as the central bank's president, Mr. Draghi gave mixed signals. Rhetorically, he emphasized consistency with the failed policies of the past. But in practical terms, he announced a cut in interest rates, effectively admitting that the last increase, only five months ago, was a mistake.

The opportunity for him to take a new path will not last long. If current policies are pursued, the European Central Bank will end up by destroying the euro in order to save it from (largely hypothetical) inflation.

JOHN QUIGGIN, *a visiting professor of economics at Johns Hopkins University, is the author of "Zombie Economics: How Dead Ideas Still Walk Among Us."*

International Herald Tribune 6 bis rue des Graviers, 92521 Neuilly Cedex France Tel: +33 1 41 43 93 00
E-Mail: iht@iht.com Internet address: global.nytimes.com Subscriptions: subs@iht.com Tel: +33 1 41 43 93 61 Classified: +33 1 41 43 93 85
Regional Office, Asia-Pacific: #1201, 191 Java Road, Hong Kong Tel. +852 2922 1188 Fax: +852 2922 1190 The Americas: Regional Office, 620 Eighth Avenue, New York, N.Y. 10018 Advertising Tel. +1 212 556 7707 Fax: +1 212 556 7706, Circulation Tel. (toll free) +1 800 882 2884 or +1 818 487 4540 Fax: +1 818 487 4550 ihtus@espcomp.com
U.K.: Advertising Office, 1 New Oxford Street, London WC1A 1NU Tel. +44 20 7061 3500 Fax: +44 20 7061 3529

Solar trade dispute could hurt consumers

SOLAR, FROM PAGE 15

And it exports 95 percent of its production, much of it to the United States. That has helped push wholesale solar panel prices down sharply — from $3.30 a watt of capacity in 2008 to $1.80 by last January and now to $1 to $1.20. A typical solar panel might have a capacity of 230 watts.

Although plunging prices could speed up the adoption of solar power, the American industry contends the Chinese are simply not playing fair. Besides Solyndra, and two other American solar companies that together represented one-sixth of American manufacturing capacity in the sector went bankrupt in August, while four other American solar companies have laid off workers and cut output since spring of last year.

President Barack Obama said in an interview on Nov. 2 with a television reporter from Oregon, the hub of the American solar panel manufacturing industry, that there were "questionable competitive practices coming out of China" in clean energy.

That prompted the "farce" statement this week by the government-controlled Chinese Renewable Energy Industries Association, condemning Mr. Obama's remark and contending that it indicated a bias in favor of the American manufacturers. "They attempt to shift the responsibility of U.S. clean energy development failure, especially President Obama's personal responsibility, to Chinese solar cell companies," the statement also said.

Officially, at least, the Commerce Department uses quasi-judicial process administered mainly by civil servants to adjudicate anti-dumping and anti-subsidy cases. Congress designed the process in the 1970s to shield the decision makers from political influence, because of a perception that a succession of Republican and Democratic administrations had ignored violations of international trade rules during the Cold War by Japan and other countries as long as they remained strong geopolitical allies against the Soviet Union.

Republicans and Democrats alike from past and current administrations have defended the process as insulated from politics.

"The methodology of this is not political," said Frank Lavin, a longtime Republican who has held a series of political appointments in Republican administrations, including overseeing the anti-dumping and anti-subsidy investigations office when he was the under secretary of commerce for international trade during President George W. Bush's second term.

But like many Republicans, Mr. Lavin was very critical of the Obama administration for having provided a half-billion dollars in federal credit guarantees to the now-bankrupt Solyndra, a California company with an alternative solar energy technology. The funding is subject of a continuing investigation by House Republicans.

"It's very hard to make a case that $500 million was well spent," said Mr. Lavin, who is now a public affairs consultant in Hong Kong and not advising either side in the solar panel dispute.

The Commerce Department is required by law to issue a preliminary decision by late March on the anti-dumping claim and by May on the anti-subsidy claim. Many trade experts expect that the decision will include steep tariffs on imports, and that those tariffs would be retroactive to 90 days before each decision and possibly retroactive to the opening on Wednesday of the department's investigation.

Chinese industries have lost almost all of the anti-dumping and anti-subsidy cases against them for decades because the United States still categorizes China as a nonmarket economy, which means that special rules are used that tend to favor the American industry.

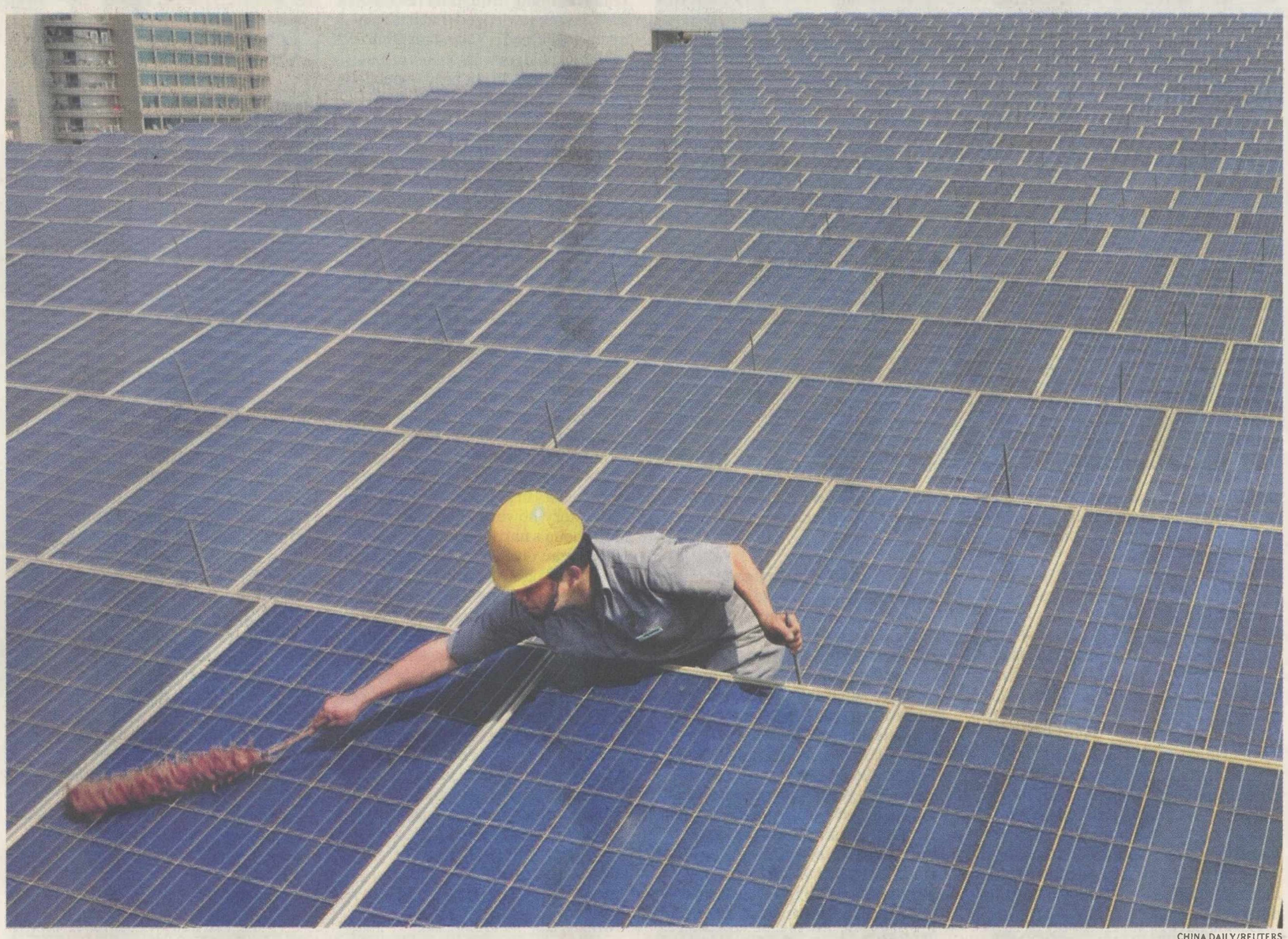
Most of the big Chinese solar panel manufacturers have subsidiaries in the United States that are the legal importers, so they would incur the initial costs of any tariffs — not the American installers of solar panels. But those costs could be expected to be passed along in the form of higher costs to customers; otherwise, Chinese companies might find themselves vulnerable to higher anti-dumping penalties in the future.

Taking the lead in the dumping petition was SolarWorld Industries America, a unit of the German manufacturer SolarWorld. Six other American solar panel manufacturers signed on to the case with Solar World, but all have exercised their option to keep their identities secret.

That anonymity could help protect them and their executives from fears of retaliation by the Chinese government, in the form of denying them access to the Chinese market or denying them visas.

But their secrecy also makes it hard for the Chinese industry's lawyers to figure out if the companies filing the case have themselves received American government subsidies. SolarWorld Industries America has acknowledged receiving only a few million dollars in subsidies for research, and none for exports. It is government subsidies that promote exports that are the ones likely to violate international trade rules.

The Chinese Renewable Energy Industries Association called in its statement this week for the other six American companies to be identified. But Francisco Sanchez, the current U.S. under secretary of commerce for international trade, said during a visit to Hong Kong last month that he believed his agency could maintain the secrecy of unidentified co-filers in trade cases.



CHINA DAILY/REUTERS

A worker in China cleaning solar panels. A Chinese industry group condemned comments by President Barack Obama in which he said China was engaged in "questionable" practices.

U.S. pushes Web access for those on low income

NEW YORK

BY BRIAN STELTER

To sign up some of the estimated 100 million Americans who are not online, the Federal Communications Commission and private providers are trying to make broadband Internet access less expensive and more valuable.

On Wednesday, the F.C.C. announced commitments from most of the big cable companies in the United States to supply access for $9.99 a month to a subset of low-income households. The price is meant to appeal to new customers who have not had broadband in the past.

The F.C.C. is billing the initiative as the biggest effort ever to help close the digital divide. Because no federal funds are being invested, the initiative relies in large part on the cooperation of private companies. One of them, Comcast, started offering $9.99 monthly broadband service to some low-income households this year after promising that the F.C.C. that it would do so when it acquired control of NBCUniversal.

By enlisting the cable companies as well as a wide range of nonprofit groups that will educate eligible families about the low-cost access, "we can make a real dent in the broadband adoption gap," Julius Genachowski, the F.C.C. chairman, said Tuesday in a telephone interview.

Mr. Genachowski has made broadband deployment and adoption the top priority of his tenure. The government estimates that one-third of U.S. homes, or 100 million people, do not have high-speed Internet access at home. Some of those homes simply do not have access to the service, but most do and choose not to receive it, for reasons involving cost and perceived relevance to their lives.

To address the first point, along with the low monthly price, a technology company will supply refurbished computers for low-income households for $150; Microsoft will provide software; and Morgan Stanley will help develop a microcredit program so that families can pay for those computers.

To address the second point, job Web sites and education companies will offer content that will, in theory, make online access more valuable.

Eligibility will be limited to those households that have a child enrolled in the national school lunch program and that are not current or recent broadband subscribers. About 17.5 million children are enrolled in the school lunch program. That limitation is likely to disappoint advocates who would like more affordable access extended to all households.

For those households, the $9.99 monthly price will apply for a two-year period. The price is akin to an on-ramp for new customers, with the hope being that they will decide to pay more for access once they have had it for a while.

The F.C.C. said the initiative would begin in the spring and reach all parts of the country in September 2012. It is similar in some ways to Adoption Plus, a partnership that was proposed two years ago, but never carried out, by the National Cable & Telecommunications Association, a cable trade group.

The participating cable companies, which include almost all of the biggest ones in the country, like Time Warner Cable, Cox and Charter, are not expected to sustain a significant financial loss. Broadband service normally has a high markup, and the $9.99 price will more than cover the overhead costs of providing monthly Internet service.

E.U. is poised to overtake U.S. as biggest oil importer in 2015

LONDON

BY JULIA WERDIGIER

The European Union is expected to overtake the United States as the world's biggest oil importer in 2015, the International Energy Agency said Wednesday in its annual report.

Oil imports to the United States are expected to decline significantly over the coming years because of new efficiency standards for cars and trucks and an increase in domestic oil and natural gas production, said Fatih Birol, chief economist of the I.E.A.

By 2020, China should overtake the European Union to become the world's biggest importer of oil, according to the agency, which is based in Paris and acts as a policy adviser to governments.

"The U.S. would be less and less vulnerable to oil price shocks," Mr. Birol said at a news conference in London. "But increasing reliance on oil imports elsewhere heightens concerns about the cost of imports and supply security."

The average crude oil import price is expected to reach $120 per barrel in 2035 based on last year's dollar value, the I.E.A. predicted in its report, World Energy Outlook 2011. Demand for oil should ease in the short term because of slower economic growth worldwide and supply should recover as Libyan production picks up again, the agency said, but the oil price will continue to rise in the long term because of growing demand from China and India.

Oil-importing nations will increasingly rely on a small number of producing nations, the I.E.A. said. Oil production is expected to grow mainly in Iraq, Saudi Arabia and Brazil. More than 90 percent of growth will come from the Middle East and Africa, the agency said.

Greater dependence on oil imports in Asia, where demand is rising because more people are buying cars, could raise concerns about the reliability of oil supply. Much of world oil supplies are transported on vulnerable routes in the Gulf, the Strait of Malacca and elsewhere, the I.E.A. said.

The agency said it was unclear whether production from the Middle East and North Africa would actually grow as expected because some nations, including Libya, might find it difficult to find the necessary investment in exploration and production.

"After the Arab Spring, there might be different priorities," Mr. Birol said.

By 2020, China is projected to surpass the European Union, while the United States becomes less dependent on other countries.

"If they were investing a third less, then 2015 oil prices may go up to $150 per barrel."

Global oil demand is expected to rise to 99 million barrels per day in 2035 from 87 million barrels per day last year, mainly because of a growing transport sector in China and other faster-growing economies, the International Energy Agency said.

The agency also urged governments to agree soon on legally binding limits on greenhouse gas emissions so that investment in clean-energy technologies could increase by 2017, making it possible to meet the goal of limiting the average rise in global temperatures to 2 degrees centigrade, or 3.6 degrees Fahrenheit.

"We cannot afford to delay further action to tackle climate change," the agency said in the report. "For every $1 of investment avoided in the power sector before 2020, an additional $4.30 would need to be spent after 2020 to compensate for the increased emissions."

Global markets shudder as Italian bond yields rise to new euro-era high

MARKETS, FROM PAGE 1

bond purchases, raised its margin — or collateral — requirements on Wednesday in response to the perceived higher riskiness of Italian debt. That further unsettled investors and pushed Italian yields higher yet, in the sort of vicious circle that can be hard to pull out of.

The stocks of European banks that hold large amounts of Italian debt fell. And the cost of insuring Italian debt as measured by credit-default swaps also rose to record levels.

The bond interest rates later fell back slightly to about 7.3 percent but only after the European Central Bank was reported to be buying Italian bonds. This suggests many private investors are fleeing Italian debt, raising worrying questions about how Italy will finance itself when it needs to sell billions of euros of debt at a key auction next week.

But some analysts say Italy may not be at the precipice yet. Even though its in debt is the equivalent of 120 percent of its gross domestic product, it is a far stronger and wealthier economy than Greece or the other smaller nations. Italy compares well with some other larger nations elsewhere in Europe like Britain, and has a relatively small budget deficit.

Italy could withstand interest rates at this level longer than weaker countries like Greece, analysts say, and there are a number of things that may yet happen to ease the crisis, such as Italy electing a new government credibly committed to fixing its debt woes and restarting growth. Also, European leaders could more clearly formulate the terms of a proposed, much-vaunted bailout fund and put it to work, or the E.C.B. could step in more vigorously to buy Italian debt.

"Italy is not nearly in as bad of a situation as some observers may suspect," said Marc Chandler, an economist at Brown Brothers Harriman.

The sharp market moves did not appear to trigger quick policy reactions from European officials or, apart from bond buying by the E.C.B., by central banks around the world including the U.S. Federal Reserve.

A spokesman for the I.M.F. said Wednesday the fund currently had no plans to offer Italy financial assistance.

"It's really up to Italy to act," said one European official, who spoke on the condition of anonymity.

There is a feeling among several European leaders that all the E.C.B. buying so far has only allowed Italy to stall its fiscal and political overhaul and perhaps the market pressure on Italy is needed to make its government react as it should, the officials said.

The crisis in Italy started in July when investors began to fear financial contagion could spread from Greece. As bond yields began to march steadily higher, the E.C.B. stepped in to buy Italian debt on an unprecedented scale, although even that was not enough.

With French banks among some of the biggest holders of Italian debt, the fear is that the crisis could now spread forcefully from Italy into the heart of the euro zone. French yields also rose Wednesday to above 3 percent.

The only way to save Italy and stop the contagion, many economists believe, is for the E.C.B. to buy Italian bonds on a much more aggressive scale than it has so far been prepared to do. But while the E.C.B. will not let the euro fail, analysts said it will avoid bailing out Italy as long as possible, to keep the pressure on Mr. Berlusconi and other Italian leaders to make reforms by cutting spending and removing impediments to growth.

Italy poses "the real danger to Europe and the world economy. Yields on Italian government debt have reached new highs, and are at levels that we consider clearly unsustainable," Barclays Capital wrote in a research note.

As painful as a Greek default would be, the world economy faces a much graver threat if investors abandon Italian debt and the cost of borrowing for the Italian government becomes prohibitive. With its heavy debt load, Italy is the world's fourth-largest borrower after the United States, Japan and Germany.

On the Continent, French banks are the most exposed, holding more than $100 billion worth of sovereign Italian bonds and on the line for an additional $300 billion loans to private borrowers like Italian companies and consumers.

French banks are heavily exposed because they moved aggressively into Italy over the last decade buying Italian rivals, and operating extensive branch networks. BNP Paribas, which bought Italy's Banca Nazionale del Lavoro five years ago, holds €12.2 billion worth of Italian sovereign debt, despite reducing its Italian bond holdings by 40 percent since the summer.

Crédit Agricole, another Gallic financial giant, holds 8.7 billion worth of Italian bonds. Société Générale, whose shares have been pounded in recent months on fears of a Greek default, holds roughly $1.6 billion in Italian bonds.

Shares of all three French giants fell more than 2 percent Wednesday.

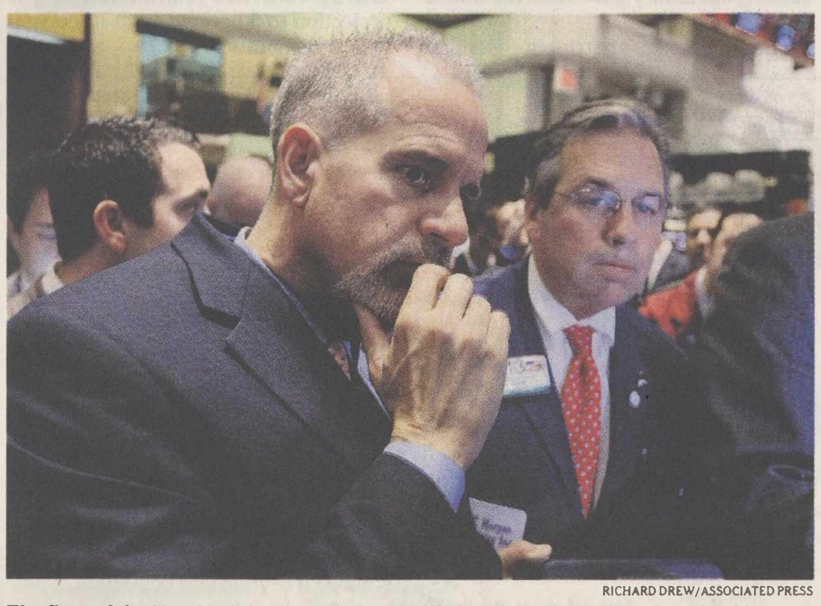
Besides being huge holders of Italian debt, French banks could also serve as transmission lines for problems at American institutions if the debt crisis on the Continent worsens. Unlike Greek banks, or even Italian banks, French banks are global giants who trade hundreds of billions of dollars each day with their U.S. counterparts, especially through complex derivatives trades where Société Générale and BNP Paribas are among the world's biggest players.

Indeed, the heightened European fears took a sharp toll on U.S. bank stocks Wednesday. In afternoon trading, shares of Citigroup were down 5.6 percent, while JPMorgan Chase was off 4.7 percent.

A senior investment banker at a large European institution said that the E.C.B. was buying some Italian bonds on Wednesday, but the amounts were not large. But another banker in London said the E.C.B. had bought an estimated, €2.75 billion in bonds on Wednesday, of which €2.5 billion was Italian debt, a large number by E.C.B. standards.

According to one Rome banker who speaks regularly with the Italian government, it has been foreign investors more than their local counterparts that have been the majority sellers of Italian debt. Among the reasons: the fact that the European Banking Authority is making a push for European banks to mark their sovereign debt to market levels as well as increased margin requirements from clearing houses.

But analysts point to another factor as well. Italy is the only country among Europe's weaker nations that offers investors the opportunity to buy or sell futures contracts tied to Italian bonds. Presented initially as a way for investors to hedge their exposures, investors who want to make a negative bet on the euro zone can sell Italian bond futures — which adds to the already significant downward pressure coming from investors who are unloading their bond holdings directly.



RICHARD DREW/ASSOCIATED PRESS

The floor of the New York Stock Exchange on Wednesday, where shares tumbled because of worries over Italy. Yields on Italian government bonds jumped above 7 percent.

Nelson D. Schwartz, Louise Story and Julie Creswell contributed reporting from New York, Landon Thomas Jr. from London, Jack Ewing from Frankfurt, and Liz Alderman from São Paulo.

KATHIMERINI
English Edition

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IN BRIEF

PROTON ACTION

Court orders assets of bank executives to be frozen

The Council of Misdemeanor Court Judges yesterday ordered the freezing of all assets belonging to the main shareholder in Proton Bank, Lavrentis Lavrentiadis, and another six executives of the bank who have been implicated in allegedly questionable loans of some 700 million euros made by the lender to Lavrentiadis's group of companies. Lavrentiadis and the other suspects have been given until November 22 to prepare their defense after requesting an extension from first instance prosecutor Yiannis Dragatsis. Last month Proton Bank, which has a network of 31 branches, became the first lender to be nationalized under the Financial Stability Fund.

KIFISSIAS BRIDGE

Pedestrians get their flyover

Two years after a 15-year-old schoolboy was killed after being struck by a car on Kifissias Avenue, near its busy junction in Psychico, northern Athens, a pedestrian bridge that local residents have long demanded is finally up. The inauguration of the bridge, which is situated at the junction of three municipalities - Psychico, Filothei, Halandri - is scheduled for tomorrow at 5 p.m.

■ **Civil servants.** The civil servants' union, ADEDY, yesterday called on its members to join a three-hour work stoppage, beginning at noon on Tuesday, November 15. Civil servants, who have seen their salaries and pensions slashed over the past year-and-a-half, will be holding the action as part of their continued protests against the government's austerity drive. ADEDY and the country's main labor union, known by its acronym GSEE, have staged a series of general strikes over the past few months, demanding that the government revoke cutbacks and structural reforms that have been voted through Parliament and new measures that are still to be approved.

■ **Pupil mugged.** A 16-year-old pupil of a school in the Cretan port of Hania was severely beaten and threatened with a knife on Tuesday morning by three assailants who grabbed his gold neck chain and cell phone, police said. The three suspects - two Albanians, aged 15 and 18, and a 17-year-old Greek - were being questioned by police yesterday. One of the three is alleged to have pulled a knife on the 16-year-old while the other two punched him in the face. The valuables taken were worth 1,300 euros, according to the victim.

■ **Medical shortages.** The National Organization for Medicines, known by its acronym EOF, warned yesterday of significant shortages in a range of basic drugs - including painkillers, insulin, cancer drugs and insulin. EOF attributed the shortages to the repercussions of the debt crisis, noting that it was hampering "financial transactions between firms, medical warehouses and pharmacists." EOF added that substitute drugs were available for the dwindling products and that patients should request them from their doctors.

Political impasse stalls interim deal

Leaders of two main parties to meet president again today after failing to agree on new premier

Just when it seemed that several days of tense negotiations aimed at forming an interim government to lead Greece through its political and economic crisis were coming to an end, the process was again thrown into doubt last night as the leaders of the two main parties failed to reach an agreement.

A meeting between President Karolos Papoulias, Prime Minister George Papandreou and conservative New Democracy leader Antonis Samaras yesterday afternoon – where the outgoing premier was expected to submit his resignation and pave the way for the announcement of a successor – was cut short after reports that the two main party leaders were still at loggerheads over who should lead an interim government. The three men are to meet again at 10 a.m. today, when it is hoped the deadlock will finally be broken.

The renewed upheaval was in sharp contrast with the content of Papandreou's televised speech during which the outgoing premier signaled the "beginning of a new political mentality, a new political culture." "Today we leave aside our differences," Papandreou said, heralding "a common effort to ensure the country moves forward, not only to remain part of the eurozone but also to emerge from the crisis." The PM said the interim government would make the necessary efforts to "justify the sacrifices made by the Greek people over the past two years," referring to a raft of wage and pension cuts. The chief goals of the new administration would be to secure crucial rescue funds and continue talks with Greece's foreign creditors, he said.

Papandreou's speech was also a parting message that appeared to signal departure not only from politics but from Greece. "I never put my position above the national good," he said. "For me, Greece is above everything. Wherever I go, I will carry the Greek flag in my heart," he added.

He also said that he would do everything he could to support the new prime minister and the new government.

ND leader Antonis Samaras, speaking after the meeting, said that his party too was concerned about securing the release of rescue funding and suggested that Papandreou was to blame for the new impasse.

"My problem is not with individuals," he said, referring to the long list of candidates for premier that have been the focus of speculation for days. Samaras made it clear, once again, that his eye is on early elections. "What we and all Greeks desire is that the people can finally speak," he said.

The leader of the right-wing LAOS party, Giorgos Karatzaferis, left the Presidential Mansion after a few minutes, accusing Papandreou and Samaras of political point scoring, although he later agreed to join fresh talks this morning.

"It is a great shame that at such critical times the leaders of the two main parties are playing tactical games and undermining the president and all he represents," Karatzaferis told reporters. Exactly what led to the deadlock – and the collapse of talks with the original front-runner for the post of premier, Lucas Papademos – remained the subject of feverish debate last night. Meanwhile a large number of PASOK MPs, as well as ND deputies, were said to be vehemently opposed to the apparent choice of Parliament Speaker Filippos Petsalnikos – a close associate of Papandreou and a party stalwart – for interim premier.

ALEXANDROS VLACHOS/EPA

The leader of nationalist LAOS, Giorgos Karatzaferis, is chased by journalists after storming out of a meeting of party chiefs at the Presidential Palace. Karatzaferis objected to being excluded from an initial discussion.

Ex-ECB VP Lucas Papademos back in the frame for top job

Following the collapse last night of talks aimed at agreeing on the formation of an interim government, the name of former European Central Bank Vice President Lucas Papademos was again strongly linked with the role of prime minister in the short-term administration.

Until last night's meeting between Prime Minister George Papandreou and New Democracy leader Antonis Samaras, it looked as if Parliament Speaker Filippos Petsalnikos would be appointed premier. However, the proposal was rejected by Samaras and some PASOK and ND MPs.

Papademos served as Bank of Greece governor and was one of the architects of the country's entry into the eurozone. He was the first candidate to be linked with the prime minister's post. His credentials were discussed on Sunday, when Papandreou and Samaras met for the first time.

However, Papandreou did not contact Papademos after the meeting. There was concern that the Harvard professor would ask for certain guarantees that he would be allowed to shape policy without intervention from the parties in the coalition. Sources said Finance Minister Evangelos Venizelos appeared to balk at Papademos's demands, fearing that he would be marginalized and possibly left out of the new government.

Ruling PASOK then turned to other potential candidates that included Petsalnikos and veteran MP Apostolos Kaklamanis.

There were reports that after last night's failed talks, Papademos was contacted again about taking on the premiership. He is said to have set certain terms, which included all the coalition parties giving written commitments to adopting Greece's agreements with the EU and IMF, more members of New Democracy in the interim administration than previously suggested, and for elections to be held later than February 19.

Psomiadis caught in FYROM

Makis Psomiadis, the businessman and soccer club boss who spent the last month on the run from authorities over his alleged role in a match-fixing ring, was arrested in the Former Yugoslav Republic of Macedonia (FYROM) yesterday.

Psomiadis was arrested at noon while drinking coffee at a cafe some 100 meters from the Greek Consulate. Sources said that he had been hiding out at the home of a 32-year-old soccer player who used to play for Kavala, the club owned by Psomiadis.

The 55-year-old businessman is also said to have received the help of a 47-year-old Greek man who lives in FYROM but has been linked to numerous crimes in Greece. Psomiadis was traced to Skopje after the Greek National Intelligence Service (EYP) picked up the signal of a mobile phone he was using.

Intelligence agents passed on the information to Interpol officers in Skopje, who arrested Psomiadis. The 55-year-old had shaved his beard and died his hair, sources said. He will remain in custody in FYROM pending extradition to Greece.

A European arrest warrant was issued for Psomiadis at the end of September, a few days after a magistrate decided to release the soccer club owner alleged to be at the center of a large match-fixing ring, on bail of 600,000 euros.

Despite the recommendation of public prosecutor Athina Theodoropoulou, magistrate Giorgos Kassimis released Psomiadis but a council of appeals court judges then ruled that the 55-year-old should be remanded in custody until his trial takes place.

The magistrate had deemed Psomiadis not to be a flight risk despite the fact that authorities had been unable to trace him for more than two months after an international warrant was issued for his arrest in June.

Psomiadis was found in September hiding in a villa southeast of Athens. The anti-terrorist squad and Greece's intelligence services helped police track the fugitive.

The owner of Kavala soccer club denies any connection to the match-fixing ring, which is alleged to have made millions of euros by betting on the outcome of soccer games which various officials and players colluded to fix.

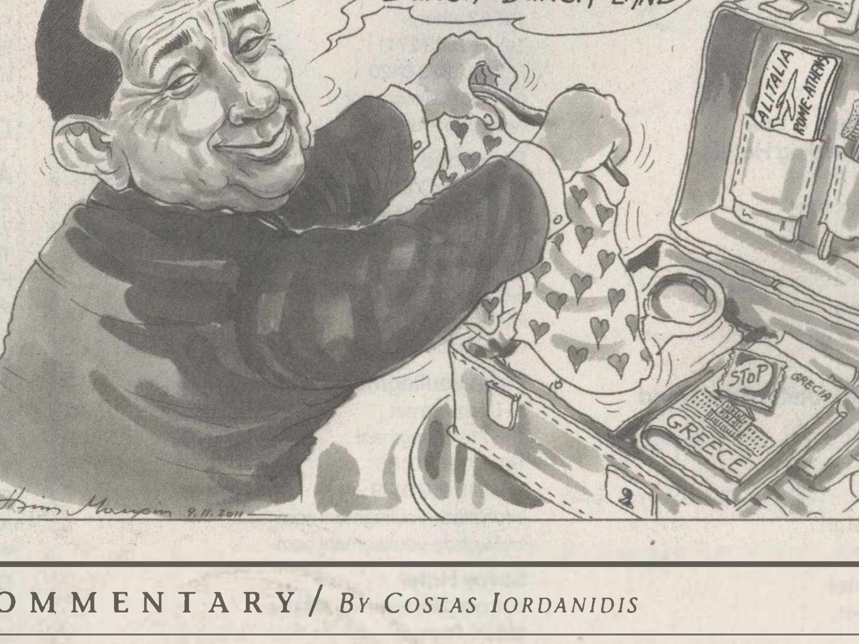
Ministry to save through moves

In a bid to lighten the load on overburdened public coffers, some 600 Education Ministry employees are to be moved by the end of the year as several departments merge, thereby saving some 2 million euros of taxpayers' money.

The initiative, which was apparently encouraged by Education Minister Anna Diamantopoulou, will lead to seven bodies under the ministry's auspices being housed in just two buildings. This will lead to substantial savings on rent, as the buildings are not public property.

The aim is to complete the process by the end of the year. "This is a scheme that should not be put at risk," Giorgos Kalatzis, the education general secretary, told Kathimerini in an apparent reference to the imminent cabinet changes.

The Education Ministry has been one of the government departments hit hardest by expenditure cuts. Spending on primary, secondary and tertiary education has been cut drastically.



BY ILIAS MAKRIS

EDITORIAL

Indignant with good reason

Greece's politicians yesterday angered the entire nation. The country is sinking and all they care about is the interests of their parties, their personal ambitions and traditional rivalries.

At the same time, it's encouraging to see healthy and influential forces making an appearance on the domestic political scene – who are expressing common sense and the need to come to terms and make use of people with knowledge and ethos in order to solve the country's problems. These forces, to be found across Greece's political spectrum, at the very last minute yesterday stopped the political system from committing suicide.

Today however is the most crucial day. George Papandreou and Antonis Samaras ought to agree on a reliable solution – and not some weak personality that they will be able to manipulate.

The patience of the Greek people, who have over the past couple of years shown an unprecedented degree of maturity and responsibility, has run out. They have every right to be angry.

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Η ΚΑΘΗΜΕΡΙΝΗ
Ethnarhou Makariou & 2 Falireos, Athens
185-47 GREECE Tel: 210.4808000, Fax: 210.4808460

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Deputy Editor Nick Malkoutzis
E-mail: editor@ekathimerini.com

COMMENTARY / By COSTAS IORDANIDIS

End this fiasco

Four days of political horse-trading, amid unprecedented confusion and chaos, to pick the head of Greece's interim government culminated in a fiasco yesterday when a meeting between President Karolos Papoulias, Premier George Papandreou and opposition leader Antonis Samaras came to an abrupt end. Giorgos Karatzaferis, leader of the ultranationalist LAOS party, had earlier put on a vaudeville performance when leaving the Presidential Palace, where the meeting was being held.

After about 100 hours of contemplation, Papandreou came up with the name of Filippos Petsalnikos, the parliamentary speaker who has a good command of the German language. Papandreou chose to shun Lucas Papademos as, for him, the former vice president of the European Central Bank represents the system of former Prime Minister Costas Simitis, whom Papandreou has pushed to the political fringe. All around the world and throughout history, civil conflict has been the harshest form of conflict. We were yesterday reminded of that tragic fact.

Since climbing to power, Papandreou has sought to incriminate the Greek right, former PM Costas Karamanlis, and Karamanlis's successor Antonis Samaras, after he refused to back the memorandum in Parliament. Papandreou tried to persuade European officials that ND's leadership is a destabilizing factor in the EU. Nevertheless, Samaras has clearly stated that he will accept as leader of the crisis government anyone proposed by Papandreou.

This transition government – whether it is led by Petsalnikos or Papademos or anyone else – has been tasked with a near-impossible mission. Rather, its real objective is to vote through the latest debt agreement and lead the country to general elections after completing all the necessary procedures. Well-meaning citizens thought that Papandreou's stepping down from power last Sunday would basically mean the abolition of the existing political system and that the country's administration would, for a considerable period of time, pass into the hands of internationally renowned personalities. Perhaps they will be proved right. Usually, however, a country's political class is done away with by means of a coup – and this is something no one wants to see.

The political system must finally put an end to the uncertainty and prevent such a danger by installing a new administration. Greece must stop making a spectacle of itself at home and abroad.

It's a mad, mad, mad, mad world

COMMENTARY

BY NICK MALKOUTZIS

It's been a long time since the military doctrine of mutually assured destruction, or MAD, has been relevant to international affairs and even longer since US Secretary of State John Foster Dulles coined the term. Greek and European politicians, however, have proved that the principle is alive and kicking and once again poised to destroy the lives of millions.

Observing the machinations of Greece's parties over the last few days as we wavered between prime-ministerial appointments – from former European Central Bank Vice President Lucas Papademos to Parliament Speaker Filippos Petsalnikos – has been like watching the trashiest of reality shows. People who you had suspected of being pretty shallow have now been exposed as empty pools of self-interest. Facing the most bitter of paybacks for all its past sins, the political system chose not to stare straight ahead and tackle the issue but to turn its back on the outside world.

Greece is poised to create an interim government that will be a political afterthought

Relieved of the admittedly draining pressure of governing this country, George Papandreou appeared to abdicate himself of the responsibility of handing power over to a prime minister who had a chance of doing a better job than him and a government that would have the necessary cohesiveness to carry out the specific mission of providing several months of stability on which Greece's hopes of recovery could be built.

The media, meanwhile, linked Finance Minister Evangelos Venizelos to attempts to scupper Papademos's candidacy. Venizelos denied press reports that he vetoed the Harvard professor because he feared losing his position as finance minister and influence within the government. However, it seems there was an effort by some elements of the political status quo to prevent Papademos from assuming the role. While there are issues about Papademos's potential appointment – such as the possibility that being a former banker, his priorities might not be political and that he is not a democratically elected official – these could be overcome. If Papademos is deemed good enough for the job of re-establishing Greece's trust and credibility in Europe and tackling challenging economic issues, then the political system could easily find ways to accommodate him and compensate for any of his weaknesses.

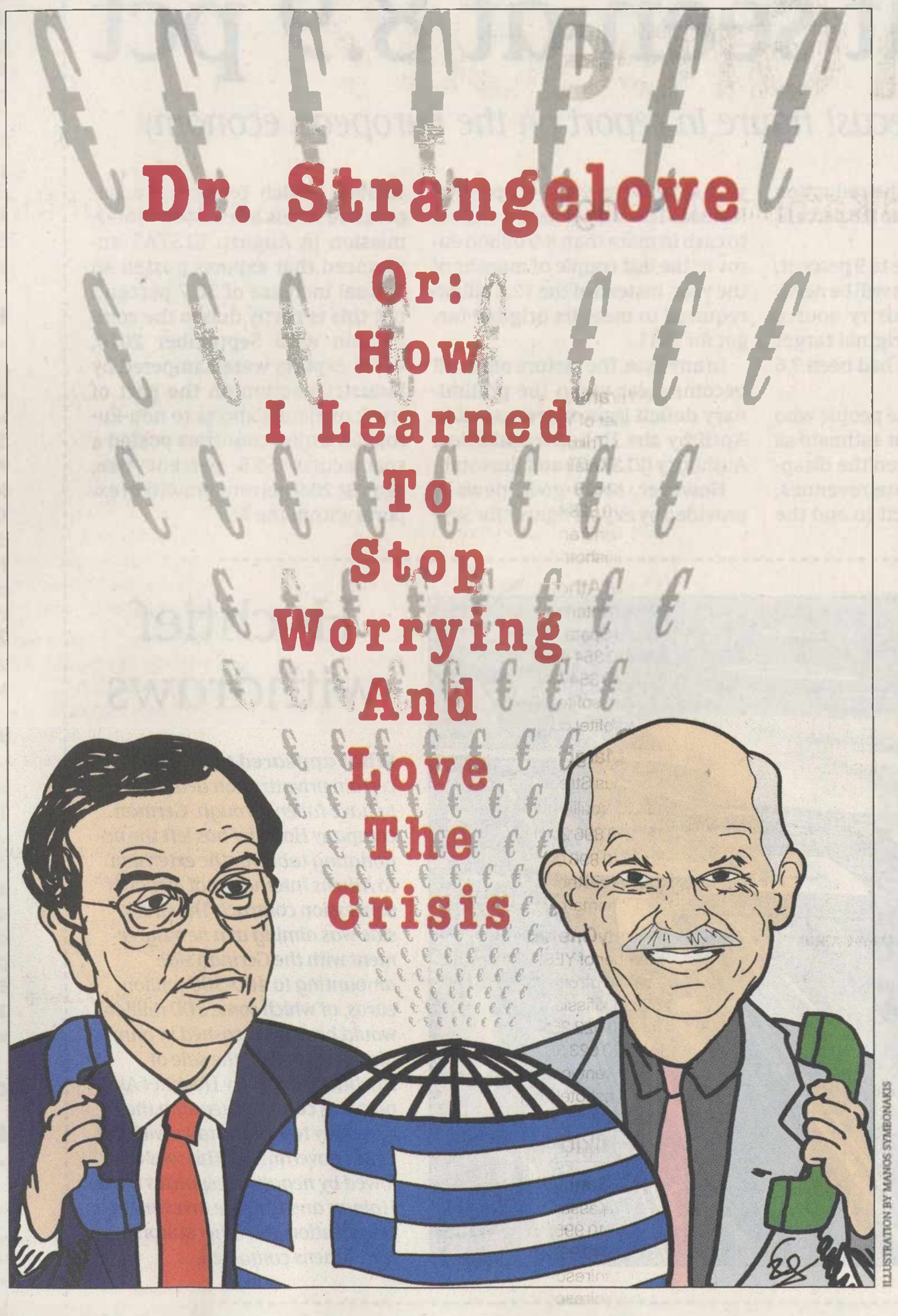


ILLUSTRATION BY MANOS SYMEONAKIS

The apparent attempt to sabotage Papademos's candidacy can only be attributed to hardened politicos' fear that a candidate who actually might know what he's doing when tackling complex economic issues would deal the fatal blow to a dying political system. There was a palpable sense from all sides of the political spectrum over the last few days that a new prime minister surrounded by candidates of his choice who were not plucked from the party system would be a threat. Were these technocrats to have even a modicum of success and coherence to present to the Greek public when the snap elections came around early next year, the politicians would be left standing stark naked in front of an enlightened and angry electorate.

At New Democracy, meanwhile, Antonis Samaras appeared cornered by his own party's refuseniks. Some saw Samaras's agreement to form an interim administration as a betrayal of the staunch anti-austerity stance that the party maintained over the last couple of years. It didn't win ND any extra voters but it ensured that its support base was not decimated like PASOK's. Signing up to the coalition undid ND's carefully constructed public image of being on the people's side. With the right wing of ND breathing down his neck, Samaras took a stand designed to show he and his party had some spine. He said no conservative MPs would take part in the new government.

Greece, therefore, is poised to create an interim government that will negotiate the world's biggest ever bailout while being nothing more than a political afterthought. The leader of the nationalist Popular Orthodox Rally (LAOS), Giorgos Karatzaferis, underlined the disunity in the so-called unity government by storming out of yesterday's talks between the party leaders, claiming that Papandreou and Samaras were playing "tactical political games." Playing a game of his own, Karatzaferis had cheered for the creation of a coalition government but then remained on the sidelines, scrambling around to find any reason to reject the chance to join the interim administration. In what must be a world first, Greece is attempting to form a three-party government in which only one party is prepared to take part.

Testing Europeans' patience even further, Samaras played the "national dignity" card to defend his right to give only verbal commitments to their demands that he sign up to austerity measures that have already been agreed with the troika and to the outline of the October 26 bailout deal. The ND leader would have had every right to reject putting his name to terms that have yet to be agreed, but this wasn't what European Economic and Monetary Affairs Commissioner Olli Rehn suggested. He called for a commitment to existing measures and to move forward with the Brussels deal, which includes a further 130 billion euros in loans for Greece and a 50 percent haircut for private holders of Greek bonds.

Perhaps the key to the demands being made by the Europeans was that Samaras should commit to negotiations that would flesh out the October 26 agreement. Clearly, these talks would also focus on the measures and targets Greece would be set in the years to come. In other words, Samaras was being invited to negotiate. But the leader who since 2010 has been talking about "renegotiating" the terms of the first, 110-billion-euro loan agreement balked at having to replace his easy rhetoric with tough decisions. He let his inaction speak louder than his words.

However, inaction has not just been a Greek characteristic during this crisis. We should not forget the months of foot-dragging in late 2009 and early 2010 – attributed chiefly to Chancellor Angela Merkel being wracked by domestic concerns – that led to Greece's debt crisis getting out of hand. It was clear then and it's much clearer now that a quick and decisive intervention – possibly through a much smaller bond haircut than the one being proposed now and a recapitalization of European banks – could have nipped the problem in the bud.

In fact, as an excellent New York Times article by Landon Thomas and Stephen Castle indicated a few days ago, eurozone leaders ignored warnings about Greece from the International Monetary Fund as early as mid-2009. Instead of approaching Greece's problem as part of a systemic problem, which the euro – with its structural flaws and inadequate institutions fostered – they allowed it to turn into a debate about whether the hardworking north should come to the rescue of the slothful south.

Thomas and Castle paint an alarming picture of how the then European Central Bank President Jean-Claude Trichet insisted that a severe bout of austerity was the only answer to Greece's problem. His insistence meant that the eurozone was in denial about the fact that Athens had become insolvent. When the possibility of a Greek bankruptcy began to hit home, the bailout fund that was created ended up being a half-hearted attempt that relied more on wishful thinking than financial logic. Nothing was done to strengthen the European banks that held Greek bonds to protect them against a restructuring that would provide Athens with some relief, despite Greece needing respite from the biting austerity measures more as each day passed.

Even this July, the eurozone continued to ignore the experts who said a major restructuring of Greek debt would be needed to prevent a disorderly default. The leaders proposed a modest 21 percent haircut. Three months later, this was jacked up to 50 percent – still not enough according to many economists and market analysts. Now, as Greece rocks from political tremors and Italy shakes thanks to its own Silvio Berlusconi-inspired instability, the eurozone is poised to pay for adopting a blinkered view for so long. Italy's 10-year bond yields shooting above 7 percent yesterday may be the last warning it gets to recover the situation.

In Greece and the eurozone, our decision-makers have had their fingers poised above the bid red button for some time. We can only hope they realize the damage they are about to wreak, otherwise mutually assured destruction is guaranteed.

Greek book market stagnating under pressure of the crisis

Booksellers were hit by the Greek economic crisis faster and harder than they had expected, bringing publishers down with them, according to market experts.

"The problem began with a drop in sales at bookstores, as the incomes of people who buy books dropped dramatically. Meanwhile, bookshops in central Athens have been hit the hardest, because they have also had to deal with the constant protest rallies, strikes and riots that have kept consumers away from their regular shopping haunts," one professional in the field, who declined to be named, told Kathimerini. "There has, however, been a small increase in sales at bookstores in areas outside of the city center and in other parts of the country, but when small stores see a drop in turnover it is almost impossible to regain it."

The dramatic drop in sales at bookstores across Greece means that booksellers are finding it increasingly hard to pay their suppliers, not to mention their debts. It is common knowledge in the field that just a handful of booksellers have been able to make good on their financial commitments, while the problem of payments is not just restricted to small stores but is affecting large chains as well.

According to the sales department of one publishing house, large chains operating in Greece had invested a good deal of money that was supposed to begin giving back returns just as the crisis started to bite. As a result, they are now facing the threat of significant losses.

Franchising had gained momentum in Greece in the years leading up to the crisis, and chains were the first to experience problems in the early days. Some franchisers have responded to the pressure by going independent and quitting their ties with the chain, while others are remaining with the chain but also forging independent ties with publishers by choosing titles unrelated to those promoted by the publishing chain with which they have an agreement.

Compounding the problem of booksellers' low liquidity is the fact that many publishers, wary of the widespread freeze on payments, are insisting on cash-only transactions and refusing to extend any credit to booksellers.

One publisher described a scene that is now an almost daily occurrence: "An employee from a large bookstore comes into the stock house, picks out two copies of one title, two of another and three of yet another. He then goes to the cash register to pay in cash and finds that he doesn't have enough money on him and returns some of the books."

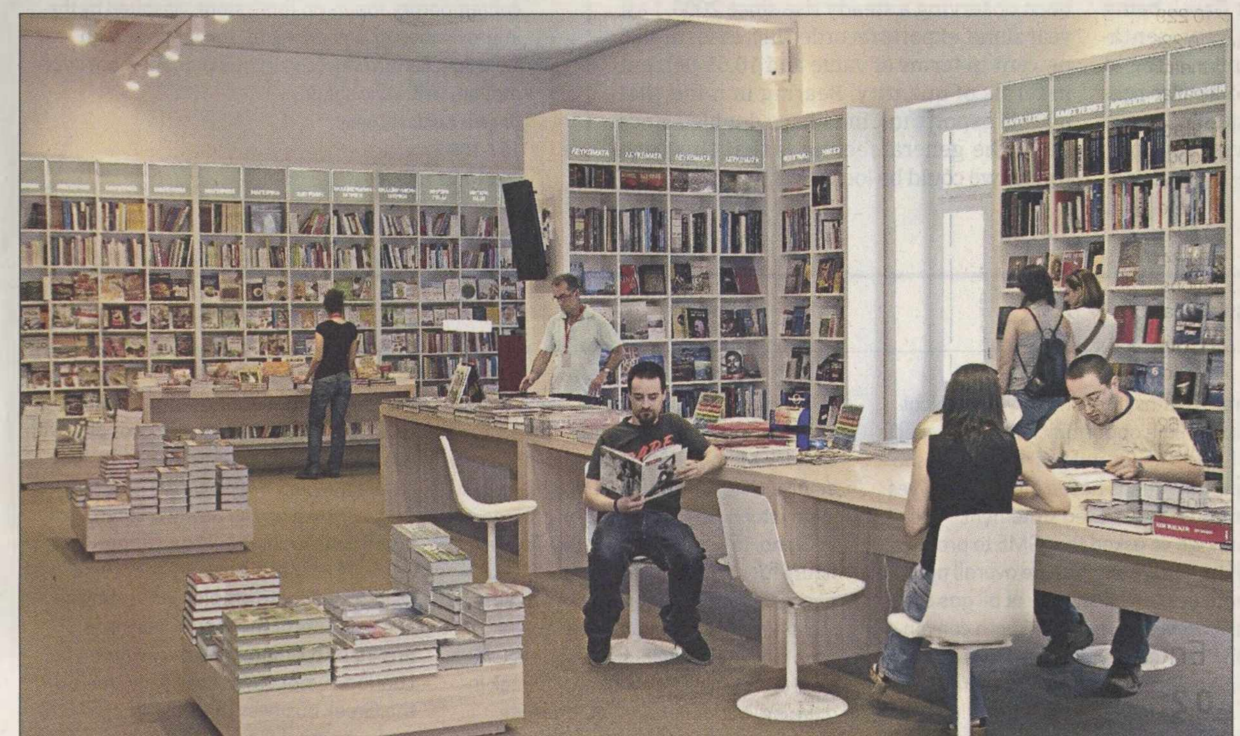
According to the same publisher, "we are now a lot more careful in our choice of titles, but also a lot more cautious about our relationship with booksellers."

Another thing that has changed in the Greek book market is that titles that would normally fly off the shelves within days of being introduced may now spend weeks waiting for a buyer, both because the number of new titles available has decreased dramatically and because sales and distribution are so low.

As far as the publishers are concerned, there are those who will no longer distribute at all to certain bookstores that they know are having problems meeting their financial responsibilities.

"We have been forced to drop the cost across the board and in all areas of the bookselling chain," said the publisher. "We had all fallen into the trap of spreading ourselves too thin."

OLGA SELLA



The dramatic drop in sales at bookstores across Greece means that booksellers are finding it increasingly hard to pay their suppliers, not to mention their debts.

KATHIMERINI BUSINESS & FINANCE
THURSDAY, NOVEMBER 10, 2011

ATHENS STOCK EXCHANGE -1.61% GENERAL INDEX 767.11 | EURO - DOLLAR 1.3555

Greek 2011 deficit seen at 8.9 pct

Commission set to announce better-than-expected forecast figure in report on the European economy

By Sotiris Nikas
Kathimerini

The European Commission's forecast for this year's Greek deficit is expected to come to 8.9 percent of gross domestic product when it publishes its report on the European economy today, according to Finance Ministry sources.

This figure will then be included in the draft budget to be tabled in Parliament on Monday or Tuesday next week. It appears that the budget will not include any new measures besides those already approved last month.

The deficit target that the preliminary budget, drafted in early October, contained was 8.5 percent of GDP, but even then it was certain to be revised. Sources say the troika had expected the deficit to run up to 9 or 9.1 percent of GDP and that the October measures were based on that estimate.

With the deficit at 8.9 percent, there should be no new measures required to ensure the reduction of the budget deficit to 6.8 percent of GDP in 2012.

"The deficit is close to 9 percent, but no new measures will be needed," a Finance Ministry source said. Notably, the original target for this year's deficit had been 7.6 percent.

There are still some people who brand the 8.9 percent estimate as "too optimistic," given the disappointing level of state revenues, and expect the deficit to end the year at between 9 and 9.5 percent instead. The state does not expect to cash in more than 8-9 billion euros in the last couple of months of the year, instead of the 12.4 billion required to meet its original target for 2011.

In any case, the picture only will become clear when the preliminary deficit figures are issued in April by the Hellenic Statistical Authority (ELSTAT) and Eurostat.

However, some good news is provided by export figures for September, which returned to impressive levels after a brief intermission in August. ELSTAT announced that exports posted an annual increase of 30.7 percent, but this is partly due to the comparison with September 2010, when exports were hampered by industrial action on the part of truck owners. Exports to non-European Union countries posted a spectacular 55.6 percent rise, against 20.9 percent growth in exports within the EU.

Hochtief withdraws

What appeared to be a near-certain privatization deal seems to have fallen through. German company Hochtief has left the negotiating table for the extension to Athens International Airport's concession contract. The Greek side was aiming at a new agreement with the German side amounting to 400-500 million euros, of which some 200 million would have been cashed in immediately. However, the sale of Hochtief subsidiary Hochtief Airport was canceled, leading the company to ends its talks with the Greek government. This was followed by negative responses from Hainan and Chinese Investment Corporation, the other suitors that Athens contacted.

Stock losses contained, but several banks post big drops

Earlier losses were moderated toward the end of the local bourse session yesterday as investors hung on to hopes of an end to the political problems that had been dragging on since the end of last week.

The Athens Exchange (ATHEX) general index ended at 767.11 points, shedding 1.61 percent from Tuesday's closing figure of 779.63 points.

The blue chip FTSE/ATHEX 20 index declined by 2.75 percent to close at 299.76.

Alpha Bank was the worst off among blue chips, dropping 9.02 percent, followed by National Bank (down 6.45 percent) and Piraeus Bank (6.30 percent). Coca-Cola HBC added 3.52 percent.

In total, 66 stocks went up, 79 went down and 22 remained unchanged.

Turnover amounted to 60.8 million euros, falling from Tuesday's 69 million.

PSI agreement is weeks away

Banks remain at odds with the Greek government over their participation in the Private Sector Involvement Plus (PSI+) plan, with any deal unlikely to be agreed to within the next few weeks.

Kathimerini understands that the banks are trying to secure guarantees for the new bonds that Greece will issue to replace the old ones in the haircut process, while Athens prefers to pay cash for part of the bonds to be replaced, using the 30 billion euros it will have at its disposal for this purpose.

The head of the Institute of International Finance, Charles Dallara, stated yesterday that it will be some weeks before an agreement is reached. He also linked the completion of the process to "the new three-year program formed by the European Commission, the International Monetary Fund and Greece." He added, "It is important that we lighten Greece's debt and stabilize Europe in general."

Josef Ackermann, chief executive of Deutsche Bank, stressed that Greece is an exceptional case and that it should not set a precedent.

Local marble firm has its work cut out with export deal

By Ilias Bellos
Kathimerini

Focus

Few people noticed Andreas Bralios among the crowd of officials during a recent visit to Greece by Jia Qinglin, a senior leader of the People's Republic of China who was in Athens to co-sign a memorandum of cooperation between the two countries.

Keeping a low profile, Bralios was one of the signatories. While photographers and journalists hurried after the politicians following the signing ceremony, the real scoop had to do with Bralios's company, because the agreement could very well boost the entire Greek marble industry – a field which, given the absence of construction activity in the local market, is now pinning its hopes for survival on exports.

Bralios is general manager of Aghia Marina Marble Ltd, a company founded by his father-in-law, Dimitrios Perrakis. Bralios signed the deal on behalf of the firm to export Greek marble in cooperation with Shanghai's Xibang Building Stone Development. The agreement could be worth as much as 500 million euros, provided that the Chinese raise the level of imports substantially. In order to fully comprehend the size of the deal, it should be noted that Greek marble and other stone exports last year totaled 156 million euros.

Established in 1991, Aghia Marina Marble is part of Perrakis's group of companies, which boast a 55-year-old presence in the marble field. Among the company's activities is the quarrying of raw marble blocks, cutting them into slabs and tiles, as well as trading in marble and other decorative stones from Greece as well as other countries such as Italy and Turkey.

Bralios told Kathimerini about the moment he first learned about the deal.

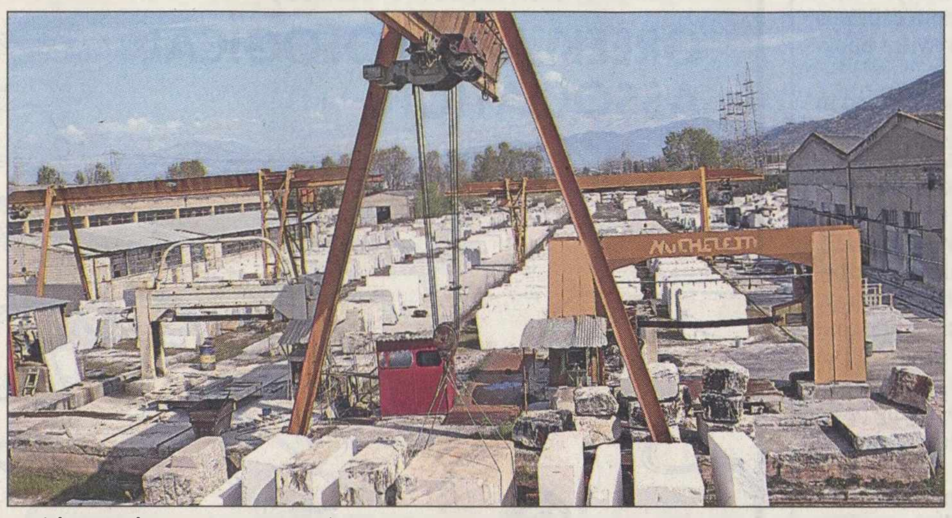
"The phone rang one day," he explained. "On the other end I could hear Greek being spoken with a Chinese accent, representatives of the Chinese company announcing to me that we had been selected as the preferred supplier." Was it that simple? It appears that Bralios's highly successful activity within the Greek Marble Federation, which he practically brought back to life following years of inactivity, has worked in his favor. Surely his ability to rally other companies and possibly coordinate major export orders was a determining factor in the decision reached by the Chinese.

"Have no illusions, it will take years of hard work in order for the deal to reach this sum [500 million euros]," said Bralios, who added that it was the Chinese who set the amount in the first place.

Bralios is quick to point out that high revenues will not come easily, as the country's current production units are not in the position to deal with such great quantities immediately, there are problems when it comes to quarry permits, and the vague and often contentious statutory framework doesn't help either.

"The bilateral agreement might help to solve some of these problems," noted Bralios, while the recent political uncertainty seems to vindicate his stance.

Meanwhile, Greek marble exports have been observing a steady rise since 2008. Last year alone, exports recorded increases of 33.6 percent in terms of value and 10.65 percent in terms of quantity. Bearing in mind that marble exports to China have doubled since 2009, the general feeling is that this time round, we could be looking at a winner.



Aghia Marina Marble Ltd signed a deal for the exporting of marble with Xibang.

What's On

Exhibitions

Elena Papadimitriou & Artemis Katsambani
> Athens
> To December 3

The Astrolavos Gallery presents two exhibitions by local artists Elena Papadimitriou and Artemis Katsambani: "Synomilies" (Conversations), which features paintings and constructions by Papadimitriou, and "Ran-Chaos," with works by Katsambani. Opening hours are Tuesdays to Fridays from 10.30 a.m. to 3 p.m. and 6 to 9 p.m. and Saturdays from 10.30 a.m. to 3 p.m. For more information, visit www.astrolavos.gr.
Astrolavos,
11 Xanthippou, Kolonaki,
tel 210.729.4342

Ioanna Ralli
> Athens
> To December 3

Zoumboulakis Galleries presents an exhibition of works by local artist Ioanna Ralli at the Kolonaki Square branch. The show, which opens on Thursday, November 10, and runs to December 3, features a collection of photographs exploring the notion of still life. Opening hours are Tuesdays to Fridays from 11 a.m. to 3 p.m. and 5 to 9 p.m. and Saturdays and Sundays from 11 a.m. to 2 p.m. For more information on this and other Zoumboulakis exhibitions, go to www.zoumboulakis.gr.
Zoumboulakis Galleries,
20 Kolonaki Square,
tel 210.360.8278

Alex Hubbard
> Athens
> To November 12

The Eleni Koroneou Gallery is hosting an exhibition of works by Alex Hubbard. In "The Basement of Alamo," the New York-based artist presents a series of works produced in 2011, combining performance, painting and video. The show runs to Saturday, November 12, and opening hours are Tuesdays to Fridays noon to 8 p.m. and Saturdays from noon to 4 p.m.
Eleni Koroneou Gallery,
30 Dimofontos & 7 Thorikion,
tel 210.341.1748

Community

Blood Donations
> Athens
> November 23

In collaboration with the Drakopoulion Blood Donation Center, the City of Athens is organizing a blood donation drive on Wednesday, November 23, at the Cavafy Hall in the Technopolis cultural complex from 10 a.m. to 5 p.m. For more information, call the Drakopoulion Center at 210.825.7445.
Technopolis,
100 Pireos, Gazi,
tel 210.346.1589

Music

Immortal Beloved
> Athens
> November 10

In collaboration with the Accademia della Scala di Milano, the B&M Theocharakis Foundation presents a dramatized musical performance of "Immortal Beloved" the story of Ludwig van Beethoven's troubled emotional life. The production is co-ordinated and presented by Magda Mavrogianni, while award-winning pianist Karolos Zouganelis will play works by the great German composer. The event starts at 8.30 p.m. For more information, go to www.thf.gr.
Theocharakis Foundation,
1 Merlin & Vas. Sofias,
tel 210.361.1206

Tango History
> Athens
> November 12

The Parnassos Literary Society is organizing an evening dedicated to Argentinean tango on Saturday, November 12. "The History of Tango: From Gardel to Piazzolla" features mezzo-soprano Desiree Halac, pianist and narrator Pablo Zinger and the Tangarto Quintet. Tickets cost 5, 10 and 15 euros and are available at Ticket Services (39 Panepistimiou, Pesmazoglou Arcade, tel 210.723.4567, www.ticketservices.gr).
Parnassos Literary Society,
8 Karytsi Sq,
tel 210.322.1917

Dance

Toshiki Okada
> Athens
> To November 13

The Onassis Cultural Center presents "Hot Pepper, Air Conditioner and the Farewell Speech," a dance-theater production by Toshiki Okada from Thursday, November 10, to Sunday, November 13. In the work, Okada, a rising star on the international dance scene, explores contemporary Japan via three stories inspired by the improvisation of American jazz saxophonist John Coltrane. Performances start at 9 p.m. For more information, visit www.sgt.gr.
Onassis Cultural Center,
107-109 Syngrou,
tel 213.017.8000

In Brief

Greek finmins most likely to hold economics PhDs

Economically vulnerable nations such as Greece and Portugal are more likely than their peers in better-off countries to appoint a finance minister who studied advanced-level economics, a study found. About two-thirds of the finance ministers of Greece and Hungary since 1973 held a PhD in economics, while in Portugal the figure was 55 percent, the study by Joachim Wehner of the London School of Economics and Political Science and Mark Hallerberg of the Hertie School of Governance in Berlin showed. In the UK, no chancellor of the exchequer has held a PhD in economics, while less than a third of French and German finance ministers have done so. "Countries that already have high debts, like Greece, Portugal and Mexico, face more pressure from the markets to appoint people that, at least in terms of their education, appear to be competent," Hallerberg said in a statement yesterday. "For more economically stable countries such as the UK or Germany, being an economics specialist might be seen to be less important than being a skilled politician." Euro-area policymakers are less likely to have advanced economics degrees than their counterparts outside the nations sharing common currency, the study found. Fifty-five percent of finance ministers of Organization for Economic Cooperation and Development (OECD) member countries studied business or economics, compared with 37 percent in the European Union, it showed. The study collected data on the background of the prime ministers, finance ministers and central bank governors for 38 countries on a monthly basis between 1973 and 2010. It includes the 27 members of the EU as well as 11 non-European OECD countries. (Bloomberg)

Athens mulls exploiting shale natural gas deposits

The Greek government asked the country's Institute of Geology and Mineral Exploitation (IGME) to prepare a study on exploiting possible shale gas supplies. Deputy Environment, Energy and Climate Change Minister Yiannis Maniatis asked the institute to prepare within two to three months a preliminary geological study on the opportunities and prospects in Greece of natural gas deposits in shale rock, the Athens-based ministry said yesterday in an e-mailed statement. "The study we've asked the IGME to prepare will be integrated into the overall national strategic plan for the use of all gas deposits in the country from both conventional and unconventional sources," Maniatis said, according to the statement. (Bloomberg)

Chinese investment. Chinese companies may invest more in Greece this year than the approximately 100 million euros they spent in 2010, the chairman of the Greek agency charged with attracting foreign investors said yesterday. "The opportunity is much bigger in a country with financial problems than in a country without," Aristomenis Syngros, executive chairman of Invest in Greece, said in an interview in Beijing. "You can see it in China 15 years ago." He didn't give a figure for Chinese investment. China is one of Greece's biggest "allies," Syngros said. "We have seen growing interest from Chinese investors," he stated. Chinese investments have gone to Greek industries including renewable energy, tourism, transportation and logistics, and food and beverages, Syngros said. (Bloomberg)

Citigroup-Kyriacou. Citigroup Inc named Emilios Kyriacou chief operating officer of its Greek banking unit, giving him oversight of the lender's holdings and risks in the country as it grapples with the sovereign debt crisis. Kyriacou, who joined the New York-based firm 21 years ago, will take up the newly created post immediately, Linos Lekkas, Citigroup's central European banking head, said in a memorandum to employees yesterday. The contents of the memo were confirmed by a Citigroup spokeswoman in London. Kyriacou "successfully steered the Greek business through times of crisis and extreme difficulties in his senior banking role," Lekkas wrote. The bank also hired Dimitri Vassilacos as head of Greek shipping from November 14. He joins from National Bank of Greece SA, the country's biggest lender, Citigroup said in the memo. (Bloomberg)