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## Lonely voice from Web wilderness is finally heard

BARCELONA

Self-taught economist blogged for years on the debt crisis facing Europe

BY LANDON THOMAS JR.

For years, almost nobody paid attention to the sky-is-falling alarms of Edward Hugh, a gregarious British blogger and self-taught economist who repeatedly predicted that the euro zone could not survive.

Living a largely hand-to-mouth existence here on his part-time teacher's salary, he sent one post after another into the Internet wilderness. It was the height of policy folly, he warned, to think that aging, penny-pinching Germans could successfully coexist under one currency umbrella with the more youthful, credit-card-wielding Irish, Greek and Spanish who share the euro with them.

But now that the European sovereign debt crisis is rattling world markets, driving the euro lower almost every day and raising doubts about the future of the monetary union, his voluminous musings have become a must-read for an influential and growing global audience, including policy makers in the White House.

He has even been courted by the International Monetary Fund, which recently asked him to fly to Madrid to assist in its analysis of the Spanish economy.

"It's quite nice, actually," Mr. Hugh, 61, said with amusement as he leaned back in a plush town car that was taking him to his latest speaking gig organized by the Circulo de Economia, an influential business lobbying group in Bar-



Edward Hugh, whose blog posts on the European economy enjoy a cult following.

celona. "I am meeting all sorts of interesting people and they are paying me to have lunch with them."

But in other ways, his life has changed very little. Last week, in fact, he even had to borrow money from friends to buy clothes presentable enough to allow him to address the conference of Spanish politicians and business executives.

"I guess I am counter-cyclical," he said with a laugh. "For all the years during the boom when everyone was doing well here, I wasn't doing anything. Now I am a household name in Catalonia."

Well, not quite. The idea of the economist as a pop celebrity in the mold of a Nouriel Roubini, whose early prediction that the U.S. housing market would collapse later brought him fame and a worldwide consulting brand, or a Paul Krugman, the Nobel Prize-winning economist who writes a column for the New York Times, is still unformed in Europe and in particular in Spain.

But as questions rise as to how European governments can escape their debt trap and resume growth, Mr. Hugh, who has been pondering this topic for years, is for the first time being turned to for his insights and wisdom.

His bleak message in newspaper columns, local television and radio appearances, and meetings with officials, is almost always the same: since Spain and other struggling countries of the euro zone like Greece, Portugal, Ireland and Italy cannot devalue their common BLOGGER, PAGE 17

### E.U. TO OVERSEE BUDGETS MORE TIGHTLY

Finance ministers agreed that the Union needed to keep closer tabs on the fiscal health of its members. PAGE 13

## Swiss stall agreement with U.S. on bank data

PARIS

No to pact in UBS case looks tied to parties' fight over financial secrecy

BY DAVID JOLLY

The lower house of the Swiss Parliament unexpectedly voted Tuesday to reject a deal with the United States to transfer bank data from 4,450 American clients of UBS suspected of tax evasion, a political move that calls into question the future of the carefully negotiated agreement.

UBS, the largest Swiss bank, is trying to end a dispute over taxes with the U.S. Department of Justice that has already cost it \$780 million in fines over charges that it helped Americans avoid billions of dollars in taxes.

Swiss political parties on both the left and right have sought to tie the UBS case to broader financial overhauls, particularly in the areas of so-called too-big-to-fail institutions, bankers' bonuses and market regulation. That appeared to be the reason the vote failed Tuesday as the People's Party and the Social Democrats — the two largest parties — opposed the measure.

Banking secrecy had long been the so-called third rail of Swiss politics: untouchable by any politician or party with higher ambitions. But the UBS case and social shifts within Switzerland seem to have shaken that consensus. The second is now being held up not because of a desire to protect the bank secrecy laws but because of feuding between the conservative People's Party, which opposes any limits to bankers' bonuses, and the Social Democrats, who want to make precisely such a linkage.

Martin Naville, chief executive of the Swiss-American Chamber of Commerce in Zurich, described the result Tuesday as the result of brinkmanship by the two parties.

"There's been an enormous amount of political grandstanding," he said. "They've taken advantage of the fact that there will be a second vote to score points with their constituencies."

Globally, the recent financial crisis has cast a harsh light on the efforts of countries to shield data from tax authorities as governments seek fresh sources of revenue to help finance their budgets.

"There's a broad understanding that it's important," Mr. Naville said, referring to the UBS agreement. "No one wants Switzerland to be seen as a haven for international tax criminals."

The Swiss agreed with the United States last August to disclose the names and account details to put an end to prosecution that had weighed on UBS and the Swiss financial markets, and to end what they described as a "fishing expedition" for details on 52,000 accounts. But the government had to take the matter to Parliament in February after a court said the agreement violated national laws governing banking secrecy.

The government, which said in April UBS, PAGE 14

## Iran defiant before sanctions vote



'Ready for dialogue' President Mahmoud Ahmadinejad, at a regional summit meeting in Turkey, said Tuesday that a deal brokered by Turkey and Brazil on atomic fuel was a one-time opportunity and that other countries had expressed their support for it. He said he would talk to Washington "within the frame of justice and respect." PAGE 4

## Israel's blunt talk rouses strategic fears in Beijing

JERUSALEM

BY ANDREW JACOBS

During the many months China has wavered over whether to join the U.S.-led effort to impose sanctions on Iran, Israeli officials have been waging their own quiet campaign to convince the Chinese that Tehran should be punished for its renegade nuclear program.

But unlike the United States, which has played on China's sense of responsibility as a member of the U.N. Security Council, Israeli officials have been making their case without diplomatic niceties.

In February, a high-level Israeli delegation traveled to Beijing to present classified evidence of Iran's atomic ambitions. Then they unveiled the ostensible purpose of their visit: to explain in sobering detail the economic impact to China from an Israeli strike on Iran — an attack Israel has suggested is likely should it think that Iran would succeed in assembling a nuclear weapon.

"The Chinese didn't seem too surprised by the evidence we showed them, but they really sat up in their chairs

when we described what a pre-emptive attack would do to the region and on oil supplies they have come to depend on," said an Israeli official who had knowledge of the meeting and asked for anonymity so as not to upset his Chinese counterparts.

Whether the Israeli show-and-tell persuaded Beijing to join the sanctions proposal announced by the White House late last month may never be known. But the episode demonstrates how Israel has found ways to engage an emerging superpower whose geopolitical heft is increasingly vital to it.

Around the world, countries large and small have been seeking to gain the affections of China as its economic might and diplomatic swagger become harder to ignore.

Ties between Israel and China are collegial, but Israeli officials have been working hard to regain Beijing's favor since they were forced by the United States, PAGE 4

## With shell game on fleet, Tehran outruns blacklist

BY JO BECKER

On Jan. 24, 2009, a rusting freighter flying a Hong Kong flag dropped anchor in the South African port of Durban. The stop was not on the ship's customary route, and it stayed only an hour, just long enough to pick up its clandestine cargo: a Bladerunner 51 speedboat that could be armed with torpedoes and used as a fast-attack craft in the Gulf.

The name painted on the ship's side as it left Durban and made for the Iranian port of Bandar Abbas was the Diplomat, and its papers showed that it was owned by a company called Starry Shine Ltd. Both the name and provenance were of recent vintage. Six months earlier, the Diplomat had been the Iran Mufateh, part of a fleet owned by the state-owned Islamic Republic of Iran Shipping Lines, known as IriSL.

Within months of the Durban episode, the U.S. government put out word that IriSL had renamed the ship and set up Starry Shine to evade U.S. export controls aimed at preventing Iran from obtaining military-use technology like the Bladerunner 51.

By that time, though, the freighter had yet another name: the Amplify. Last spotted by an electronic tracking system this April in Karachi, Pakistan, the Amplify was under new management and had a mysterious new owner.

But only on paper. The Mufateh-Diplomat-Amplify is part of a great disappearing act, in which IriSL, under pressure from U.S. and other sanctions, has been obscuring the true ownership of its vessels in a web of shell companies stretching across Europe and Asia, a New York Times examination of IriSL's actions shows. The International Herald Tribune is the global edition of The Times.

Formed mostly after the United States blacklisted IriSL and all of its ships in 2008, as confederates of Iran's nuclear and ballistic-missile programs, the corporations often have English names like System Wise and Great Method, which seem to mock U.S. resolve.

Now, as Iran continues to defy international calls to rein in its nuclear ambitions, the U.N. Security Council is poised to vote, as soon as this week, on sanc-



South Africans cheered in a stadium in Siyathemba Township where President Jacob Zuma was speaking, but most in the township are jobless and discontent is rising.

## Zuma raises hopes but has yet to deliver

SIYATHEMBA, SOUTH AFRICA

Leader stirs crowds, but South Africans worry he can't fulfill his pledges

BY CELIA W. DUGGER

President Jacob Zuma, the son of a widowed maid, tried to reason with the rowdy crowd in this restive township. He had come to fix their broken public services, he assured them, but their angry heckling kept drowning him out.

Finally, like a glowering patriarch, he lectured and scolded them, threatening to leave. "This means you will live forever in poverty!" he exclaimed. "If

we do not listen to each other, how can we fix anything?"

Suddenly, the rage of the throng dissipated. There was a chorus of apologies. A voice shouted, "Sorry, Baba!" Then a cry arose for the president to sing his trademark song from the anti-apartheid struggle: "Bring Me My Machine Gun."

"You want it?" he asked. "Yes!" they shouted. And like an aging entertainer obliging with a golden oldie, Mr. Zuma, 68, crooned and boogied onstage.

It was a moment that encapsulated both the promise and the unfulfilled potential of Mr. Zuma, who has raised the hopes of the dispossessed but not yet delivered the better life they are demanding. Despite persistent corruption SOUTH AFRICA, PAGE 5



THE WORLD CUP'S DEAFENING SOUNDTRACK The vuvuzela, a long horn that is popular with South Africans, is going to be loud and annoying at the Cup. PAGE 11

COMING THURSDAY

A special section takes an in-depth look at what this World Cup means for South Africa and the African continent.

CURRENCIES NEW YORK, TUESDAY 1:30PM

Euro	▲ €1=	\$1.1980	\$1.1910
Pound	▼ £1=	\$1.4420	\$1.4470
Yen	▲ ¥1=	¥91.340	¥91.320
S. Franc	▼ ₣1=	₣11.490	₣11.630

Full currency rates Page 19

STOCK INDEXES TUESDAY

The Dow 1:30pm	▼	9,880.05	+0.65%
FTSE 100 close	▼	5,028.15	-0.81%
Nikkei 225 close	▲	9,537.94	+0.18%

OIL NEW YORK, TUESDAY 1:30PM

Light sweet crude	▲	\$72.21	+0.39
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WORLD NEWS

**Turkey asserts itself in Mideast**  
As Turkey speaks up in regional matters, like the showdown between Israel and an aid flotilla to Gaza, the United States, a close ally, is realizing that the two countries' interests don't always align. PAGE 3

**China says N. Korea killed 3**  
Beijing said a North Korean border guard shot and killed three Chinese and wounded one last week, prompting China to file a formal complaint. PAGE 5

VIEWS

**The war on piracy**  
Until a solution is found in Somalia, the pirates will keep coming. The problem must be tackled at its source, with better police, courts and laws, writes Antonio Maria Costa. PAGE 6

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**Bitter feud over art and money**  
After the death of art dealer C. C. Wang, two of his children have entered into an epic court battle in New York over Chinese masterpieces worth millions.

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The carmaker said workers at another of its parts plants had walked out, leading it to stop some assembly work and adding to signs that Chinese laborers' negotiating power is rising. PAGE 14

**Europe's bold Mideast vision**  
Thirty years ago, Europe infuriated Israel with its Venice declaration on Palestinian "self-determination." But Europe was right, Yonatan Touval and Sharon Pardo write. PAGE 6

ONLINE

**Scenes from Israeli raid**  
New light has been shed on the early stages of the Israeli boarding of a ship challenging Israel's naval blockade of Gaza. theled.blogspot.com