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International Herald Tribune

FRIDAY, SEPTEMBER 28, 2012 | THE GLOBAL EDITION OF THE NEW YORK TIMES | GLOBAL.NYTIMES.COM

Greece turns to London in hunt for tax evaders

LONDON

Athens pores over list of wealthy suspected of hiding money in property

BY LANDON THOMAS JR.

The London real estate market was abuzz. A wealthy Greek banker wanted to spend up to £60 million for a new home, and was in a hurry to make a deal.

Real estate agents recall sifting the listings for some of the most prestigious, and expensive, properties in South Kensington, a favored area for London's international set.

But the supposed house hunter, Lavrentis Lavrentiadis, never pulled the trigger back in the spring of 2011, realtors say. Within months his failing institution, a small lender known as Proton Bank, was seized. The Greek government, suspecting that Mr. Lavrentiadis may have moved money out of the country, is now investigating his activities to see if he engaged in fraud and money laundering.

Greece, heavily in debt and desperate to track down money wherever it can, is leaving no stone unturned.

Mr. Lavrentiadis has denied the allegations, and his lawyer did not respond to questions about any interest his client might have had in London properties. But the Greek banker's rumored flirtation with this city's prime real estate market, and the frenzy it stirred among sales agents, is telling.

At the request of the Athens government, the British financial authorities recently handed over a detailed list of about 400 Greek individuals who have bought and sold London properties since 2009.

The list, closely guarded, has not been publicly revealed. But Greek officials are poring over it to determine whether the people named — who they say include prominent businessmen, bankers, shipping tycoons and professional athletes — have deceived the tax authorities by understating their wealth.

"These people have money and they are known — but it is not clear yet if they have violated any laws," said Haris Theoharis, an official in the Greek Finance Ministry. Tax investigators have been examining the list to see if there is any overlap between those who bought London properties and those already identified as being tax cheats.

The Greek government, under pressure from its international lenders to raise €13.5 billion, or $17.4 billion, via tax increases and spending cuts, is intent on making the well-heeled share the burden. Studies have shown that the country may be forgoing as much as €30 billion a year in uncollected taxes, with a significant portion of that amount having been shipped out of the country as

GREECE, PAGE 17

GREEK LEADERS CITE PROGRESS ON CUTS
Ahead of talks with its creditors, officials said they had the basic components of a new austerity package. PAGE 17

SPAIN OUTLINES MORE AUSTERITY
The Spanish government said its draft budget for 2013 would enable it to meet its deficit-reducing targets. PAGE 17

SCOTT OLSON/GETTY IMAGES AFP

First to vote Residents of Iowa waiting on Thursday to cast ballots in Waterloo as the state began early voting for the presidential election, on Nov. 6. President Barack Obama has an overwhelming lead over Mitt Romney in Iowa opinion polls, helped by the fact that the state's economy is far more robust than other battleground states.

Israel sends mixed signal on imminent threat of Iran

Netanyahu warns time to act is 'late'; his officials favor more sanctions

BY BRIAN KNOWLTON AND ISABEL KERSHNER

Bucking the arguments of his Western allies and even some of his own security establishment, Prime Minister Benjamin Netanyahu of Israel told the United Nations General Assembly on Thursday that it was getting "late, very late" to stop the Iranian nuclear threat and argued that placing a "clear red line" on Tehran's nuclear program could prevent war.

"At this late hour, there is only one way to peacefully prevent Iran from getting atomic bombs and that's by placing a clear red line on Iran's nuclear weapons program," Mr. Netanyahu said. "Red lines don't lead to war; red lines prevent war."

He said that Iran would have enough enriched uranium for a nuclear weapon by next summer, an evaluation that has been challenged by intelligence estimates from other countries. Iran flatly denies that its nuclear program is designed to produce weapons and insists that it is for purely civilian purposes.

Despite Mr. Netanyahu's fierce warnings about the danger of a nuclear-armed Iran, an internal report prepared by the Israeli Foreign Ministry calls for an additional round of international sanctions against Iran, an Israeli official confirmed on Thursday. It appeared to be a rare Israeli acknowledgment that there might still be time to try to stop the Iranian nuclear program by means other than military action.

Details of the report were leaked to the daily Haaretz and were published on Thursday morning. An Israeli official who is familiar with the report but not authorized to speak about it publicly, confirmed the points that appeared in Haaretz.

The Foreign Ministry report states that the international sanctions already imposed on Iran are having a deep effect on the country's economy, according to the official, and may, according to some assessments, also be affecting the stability of the Iranian government. But the sanctions have not yet persuaded the government in Tehran to suspend its nuclear drive. Therefore, the report concludes that "another round of sanctions is needed," the official said.

The question of how to deal with Iran's

UNITED NATIONS, PAGE 5

JUSTIN LANE/EPA

"Just imagine Iranian aggression with nuclear weapons," Benjamin Netanyahu said.

Torture in the shadows of U.S. election

WASHINGTON

Advisers to Romney urge an end to Obama's limits on interrogation

BY CHARLIE SAVAGE

Neither Barack Obama nor Mitt Romney has said much during the 2012 campaign about torture as part of terror investigations. But the future of American government practices when interrogating high-level terrorism suspects appears likely to turn on the outcome of the presidential election.

In one of his first acts, President Barack Obama issued an executive order restricting interrogators to a list of nonabusive tactics approved in the Army Field Manual. Even as he embraced a hawkish approach to other counterterrorism issues — like drone strikes, military commissions, indefinite detention and the Patriot Act — Mr. Obama has stuck to that strict no-torture policy.

By contrast, Mr. Romney's advisers have privately urged him to "rescind and replace President Obama's executive order" and permit secret "enhanced interrogation techniques against high-value detainees that are safe, legal and effective in generating intelligence to save American lives," according to an internal Romney campaign memorandum.

While the memo is a policy proposal drafted by Mr. Romney's advisers in September 2011 — not a final decision by him — its detailed analysis dovetails with his rare and limited public comments about interrogation.

"We'll use enhanced interrogation techniques which go beyond those that are in the military handbook right now," he said at a news conference in Charleston, South Carolina, in December.

The campaign policy paper does not specify which techniques Mr. Romney should approve, saying more study was

TORTURE, PAGE 8

BRYAN DENTON FOR THE NEW YORK TIMES

Rebels' prowess The tail section of a MIG-21 that the rebel forces shot down is evidence of their advances in blunting the Syrian government's air power. PAGE 4

Kids' online fun and games offer a data lode to marketers

NEW YORK

BY NATASHA SINGER

Parents try to protect their children from all kinds of things on the Internet: pornography, violent images, cyber-bullies.

Now comes another concern: friendly sounding Web sites and apps that are aimed squarely at kids.

Children's advocates say major corporations, app developers and data miners appear to be collecting information about the online activities of millions of young children without their parent's awareness. Some sites and apps have also collected details like the photographs and codes on mobile devices that, along with other data, could be used to identify and locate individual children.

These practices are perfectly legal. But the development has so alarmed officials at the U.S. Federal Trade Commission that the agency is moving to strengthen online privacy protections for young children, and new rules are expected within weeks.

"Today, almost every child has a computer in his pocket and it's that much harder for parents to monitor what their kids are doing online, who they are interacting with, and what information they are sharing," says Mary K. Engle, associate director of the advertising

CHILDREN, PAGE 8

WORLD NEWS

Opening up on cyberwarfare

The U.S. government's announcement of Plan X, a program to enlist contractors to develop technology, is seen as a turning point in openly discussing a long-secret program. PAGE 8

PUNIT PARANJPE/AFP

Indian politics in flux

With India's economy in a tailspin and Prime Minister Manmohan Singh desperately trying to regain credibility, power is now radiating to regional political chieftains. PAGE 5

BUSINESS

E.U. fires trade salvo at U.S.

The European Union inched closer to a trans-Atlantic trade war, saying that it would seek to impose up to $12 billion a year in sanctions against the United States in retaliation for U.S. government subsidies to Boeing. Washington made a similar threat this year over European subsidies to Airbus. PAGE 16

Britain is overhauling Libor

The British authorities are announcing wholesale changes to the Libor system, used to calculate the interest rate that underpins more than $360 trillion of financial instruments worldwide, and will make it a criminal offense to manipulate it. PAGE 16

Who's afraid of the fiscal cliff?

Given what excessive austerity has done to Europe, the worries about the United States are understandable, but everyone should calm down. A drastic fiscal tightening is almost inconceivable after the presidential election, Anatole Kaletsky writes. PAGE 16

SPORTS

N.F.L. and referees reach deal

After three weeks of botched calls, acute criticism and furious coaches and players, the National Football League reached an eight-year labor deal with its game officials. PAGE 13

F.A. rules, but is matter settled?

John Terry, the former England captain and current captain of Chelsea, has been found guilty of using racist language, but he insists he is not a racist, Rob Hughes writes. PAGE 14

MATT DUNHAM/AP

VIEWS

Roger Cohen

So here goes, for all the devotees of organic cotton bedding, a follow-up to "The organic fable" in which I cheered a Stanford University report pooh-poohing organic. PAGE 6

Time to intervene in Syria

It is tempting for the United States to simply stay out of the messy conflict in Syria. But a "lead from behind" approach could work, write Michael Doran and Max Boot. PAGE 6

COMING THIS WEEKEND

Painting, reborn and rebooted

For the artist Wade Guyton, the subject of a midcareer survey at the Whitney Museum of American Art in New York, the keyboard always trumps the brush.

It's time for a little less thrift

The U.S. economy relies in large part on one group: the millions of Americans who have a little disposable income, Adam Davidson writes.

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CURRENCIES NEW YORK, THURSDAY 1:30PM

				PREVIOUS
▲	Euro	€1=	$1.2920	$1.2870
▲	Pound	£1=	$1.6240	$1.6160
▲	Yen	$1=	¥77.630	¥77.720
▲	S. Franc	$1=	SF0.9360	SF0.9390

Full-currency rates Page 19

STOCK INDEXES THURSDAY

▲	The Dow 1:30pm	13,509.51	+0.72%
▲	FTSE 100 close	5,779.42	+0.20%
▲	Nikkei 225 close	8,949.87	+0.48%

OIL NEW YORK, THURSDAY 1:30PM

▲	Light sweet crude	$91.86	+$2.32

Greece turns to London in hunt for tax evaders

YANNIS BEHRAKIS/REUTERS

Prime Minister Antonis Samaras's government opened an investigation this week of the bank accounts of more than 30 Greek politicians.

GREECE, FROM PAGE 1

the affluent seek shelter from Greece's financial storm.

This week, the government of Prime Minister Antonis Samaras, opened an investigation into the bank accounts of more than 30 Greek politicians to determine whether they should be charged with tax evasion and the illegal accumulation of wealth. The politicians on the list included the president of the Greek Parliament, Evangelos Meimarakis, creating an embarrassing distraction for Mr. Samaras's coalition government. Mr. Meimarakis is a former defense minister who has also been implicated in allegations of a money-laundering network said to involve two other former ministers.

But London, long a magnet for foreign real estate investors, has become a special focus for Greek officials trying to track down money that has fled the country. Bankers say that accounts in Singapore and even in the country of Georgia have become favorite destinations for fleeing funds, more so than the traditional Swiss haven, because of those countries' looser rules and regulations about accepting large sums of foreign money. But while Singapore and Switzerland have been reluctant to divulge information about its Greek clientele, the British government has been more cooperative in sharing its real estate records.

There is an air of desperation to this Athens fund-raising drive, which includes leasing out empty Greek islands and even putting up for sale the former residence of the Greek consul general in the tony London neighborhood of Holland Park. But with Greece's membership in the euro at stake, every conceivable revenue-raising strategy is being pursued, even if it remains unclear how successful it will be.

For the better part of a century, owning a grand London home in Belgravia or Mayfair has been accepted practice for the wealthiest Greeks — ship owners in particular — looking to hedge their bets against their country's volatile economy. Since 2008, when the country's problems began to surface, a much broader spectrum of Greek investors has turned to London real estate.

"Greeks are panicking," said Sandy Triantopoulou-von Croy of EPPC, a real estate firm in London that does a lot of work with Greek clients. "They just do not know what to do with their money."

Mr. Lavrentiadis was not the only bank chief to dabble in London real estate. Theodore Pantalakis, a former chief executive of Agricultural Bank of Greece, another ailing lender, caused a stir in Athens this year when it was revealed that in 2011 he had transferred €8 million abroad with the intent to purchase a property in London. Mr. Pantalakis has said that the authorities were informed of the transaction and that the appropriate taxes were paid.

Greek money, along with wealth from China, Russia and various other countries, has kept the high end of London's property market buoyant despite — or maybe because of — the global financial turmoil. According to research by Savills, a London-based property company, £20 billion of foreign money has been invested in prime residential real estate here since 2006.

The biggest year on record was 2011, when foreigners snapped up £5.2 billion worth of new residences. With economic uncertainty in the euro zone increasing this year, demand for these properties in 2012 shows no sign of letting up, real estate agents say.

Investors from Italy and France have been most prominent in using London properties as a hedge against the euro. But the Greek influx has been especially striking.

Officials in Greece examining these transactions estimate that about 250 Greeks invested over £100 million in prime London residences in 2009 and 2010, according to records collected with the assistance of the British government. As the crisis grew worse last year and this year, government officials say it is likely that the inflows increased.

Not everyone, of course, was looking for a £60 million manse as Mr. Lavrentiadis was said to have done. Even in London, with its enclaves of billionaire oligarchs and sheiks, such requests do not frequently roll around.

Ms. von Croy says that the average asking price from her Greek clients is about £1.5 million, which is still a significant enough barometer of wealth to attract the attention of the Greek tax authorities.

Experts say it is not only high rollers looking to make a splash. Many of the recent buyers hail from Greece's professional classes, including lawyers, doctors, accountants and midlevel bankers who are paying £300,000 to £500,000 for modest apartments.

Notably, a recent study conducted by economists at the University of Chicago concluded that it was within this segment of society where most of Greece's tax collection shortfall occurs. By delving through bank records, the economists found that Greek professionals — not the truly wealthy, but the comfortably affluent — skirted as much as €28 billion worth of taxes in 2009.

That would have been enough to cover one-third of the country's budget deficit that year.

Mr. Theoharis, of the Greek Finance Ministry, said London properties represented but a small portion of the billions Greeks had shipped out of their country since 2009. In 2011, according to government figures, Greeks sent €6 billion to foreign bank accounts. The data for 2012 are even more stark: for the first half of the year about €5 billion left the country, Mr. Theoharis said.

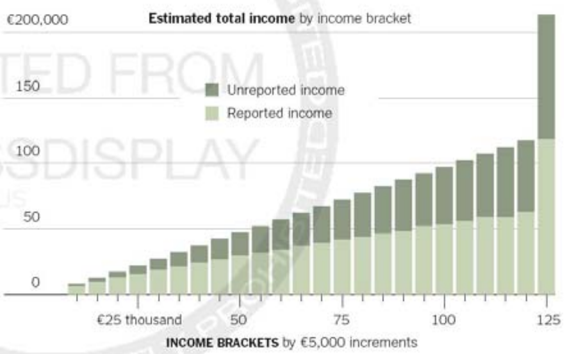
Much of that outflow came in the panicky months preceding the two rounds of Greek elections in May and June.

More recently, the effort by Mr. Samaras's government to push through spending cuts and economic overhauls has somewhat calmed fears of an immediate Greek euro exit. In fact there was actually a rare increase, of 2 percent, in Greek bank deposits in July.

The harder trick to turn could be persuading Greek real estate money in London to come back home — especially now, with the tax man closely watching.

Dodging the tax man

Recent research has estimated that unreported income in Greece was at least €28 billion in 2009. That resulting loss in tax revenue accounted for nearly third of the Greek budget deficit that year.



Note: Data are calculated using average for 2003-10

Source: Research by Nikolaos Artavanis of Virginia Tech and Adair Morse and Margarita Tsoutsoura of the University of Chicago Booth School of Business