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June 16, 2011

# For Syrian Refugees, Shelter of a Precarious Sort

By LIAM STACK

KHIRBET AL-JOUZ, Syria — Hundreds of displaced Syrians were gathered at a makeshift refugee camp in a plum orchard near the Turkish border on Thursday, growing increasingly anxious after Syrian security forces attacked two nearby towns.

The attacks on the towns of Shighr and Armala, just a few miles away, represent the security forces' closest advance to the border with Turkey, which is strung with a necklace of refugee settlements similar to the clump of tents and cars here in the fields and orchards of Khirbet al-Jouz.

Syrian forces entered the two farming towns, opening fire in the streets and driving still more people to seek safety across the border with Turkey, or within sight of the border, according to local residents and human rights activists. Turkish officials say they have taken in more than 8,000 refugees since fighting began in Idlib Province about two weeks ago.

Many here in the country's restive northwest fear that forces loyal to President Bashar al-Assad will continue advancing toward the border; the areas closest to it have been an unofficial haven since violence began to flare in the region.

Abu Mohamed, 30, fled from Jisr al-Shoughour when the military attacked the town last weekend. On June 4 and June 5 military defectors, armed antigovernment factions or a mix of both fought with security forces there.

"They don't need to come into the valley to kill us, they could just shoot from the hillside," he said of the Syrian military. "They burned all our fields, killed our animals and raped women. They will do anything."

As sunset approached, a tinny warning blared from a loudspeaker atop the mosque in the village of Khirbet al-Jouz, across a cow pasture from the tent city. The army was getting closer, a prayer leader said, and people should be prepared.

"Every day they get closer to here, and I am afraid they will arrive soon," Mohamed Ahmed, 28, said as he smoked a cigarette in front of a tent. He said he and his family fled the town of Armala when security forces attacked with helicopter gunships, armored personnel carriers and machine guns.

"They want to get rid of everything that is here," he said, gesturing to the settlement around him. "They want to bury it."

The sound of explosions from the attack on Shighr, which is six miles away, echoed through the valleys at dawn on Thursday, people on both sides of the border said. Later in the morning, residents of Shighr and Armala, which is only three miles away, streamed into the camp, a collection of tents created with blankets and tarp. Many quickly crossed into Turkey.



Those who are allowed to cross the border are whisked to one of several refugee camps administered by the Turkish Red Crescent, where they stay in neat rows of white tents. Some of those who remain in the informal settlements here on the Syrian side of the border are unwilling to submit to the regimen of a formal refugee camp, where they cannot bring cars or livestock and face restrictions on phone calls and family visits, according to human rights activists. Refugees in Turkey are also not permitted to speak to the media.

Families here in the settlement outside Khirbet al-Jouz struggle to find food and shelter, living off a mixture of donated supplies and unripe fruit plucked from the orchards. The camp teems with children who play in the dirt and sleep under the trees. Young men dart across the fields on motorcycles or meander slowly down dusty paths with livestock brought with them from their hometowns.

Selwa Nawaf and her husband, Nazir Abu Khaled, arrived with nothing. An elderly couple, they said they had fled Jisr al-Shoughour with only a copy of the Koran after plainclothes paramilitary forces smashed in their door and set fire to their house.

Foreign Minister Ahmet Davutoglu of Turkey said Thursday that his country would send food, water, medicine and other aid to the refugees living in camps on the Syrian side of the border, The Associated Press reported. The plan was announced after a meeting with a Syrian envoy. "We have taken precautions, and humanitarian aid will be supplied for around 10,000 people who are waiting on the Syrian side of the border," Mr. Davutoglu said, according to the news agency.

Despite the brutal government crackdown and the hardships they face living in the open, some people in the camp spoke passionately about the uprising against Mr. Assad, whose family has ruled for four decades.

"A hard revolution is better than an easy revolution," said one young man, who gave his name as Omar, as he led a cow up a steep road. Another, who said his name was Mohamed, had "Youth of the Revolution" written across his forearm with a black marker.

Mr. Mohamed of Jisr al-Shoughour said he would try to take his family over the border into Turkey if Syrian forces attacked the valley, but otherwise he would stay here "until Bashar leaves." He was living with more than a dozen relatives of all ages, sleeping in a tent and their car.

"We want to stay here," he said, gesturing to the steep slopes on each side of the border. "Between these two mountains we can live in freedom. It is not much freedom, but it is much better than Bashar."

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# Worries Grow About Breadth of Debt Crisis

By GRAHAM BOWLEY

The tumult in the European monetary zone is spreading concern among investors of a broader crisis in financial markets from Ireland to Spain.

The worry is that the worst case, a Greek debt default, would lead to damaging losses for European banks and spur a global panic, replaying the events of September 2008. Then, investors fled all but the safest government debt, unloading everything from corporate bonds to American and emerging country stocks. Global markets froze.

As European officials headed into a long weekend of critical talks, the [European Union](#) and the [International Monetary Fund](#) said that they were confident of a deal to secure a vital 12 billion euros (\$17 billion) in outside aid needed to stave off an imminent Greek default.

The comments, reflecting belated advances in negotiations that have been going on for weeks, were aimed at calming anxious financial markets. But so far, the deepening concerns are stopping short of transferring forcefully to the United States. For the time being at least, investors seem to believe enough shock absorbers have been built in to comfortably withstand any default by [Greece](#) or other highly debt-ridden nation.

The interest rate on United States 10-year [Treasury bonds](#) remains below 3 percent. In contrast, Spanish bond yields rose to an 11-year high of 5.74 percent as anxious investors fretted that it could be next in the firing line after Greece.

“U.S. financial institutions are very cash-rich, so that means a liquidity crisis would have to be extraordinary before it affects them,” said Guy LeBas, the chief fixed-income strategist for Janney Montgomery Scott.

After a 179-point sell-off on Wednesday, American markets stabilized, with all the main United States indexes closing higher.

But the cost to investors of insuring their holdings of Greek government debt, to make sure they recoup their money in the event of a default, registered its single biggest one-day move.

An investor now has to pay about \$2 million annually to insure \$10 million of Greek debt over five years, compared with about \$50,000 on the same amount of United States government debt, according to Markit.

Insurance rates on the debt of Irish and Portuguese governments, as measured by rates in the market for [credit-default swaps](#), also climbed to record highs. In addition, Spain struggled to kindle investor interest on its auction of bonds, selling 2.8 billion euros (\$4 billion), missing its top target and with average yields creeping up again. The fear is that a Greek default could threaten the integrity of the [euro zone](#), require European countries to bail out banks that lent heavily to Greece and other deeply indebted countries, and spread panic across global markets.

The European Union’s top economic official, Olli Rehn, said he had reached a deal with the International Monetary Fund to avoid a Greek default through at least the fall.

But he warned politicians they must agree to new austerity measures or the program would be worthless.

The mood in the markets was made more nervous when Michael Noonan, finance minister of Ireland, said on Wednesday that the Irish government was ready to impose losses on senior unsecured bondholders of Anglo Irish Bank and the Irish Nationwide Building Society if the [European Central Bank](#) agreed. That added to fears that countries beyond Greece might be involved in a broader restructuring.

Also, some well-regarded economists say that a Greek default is almost inevitable. The chances of Greece defaulting are “so high that you almost have to say there’s no way out,” Alan Greenspan, the former chairman of the Federal Reserve, said on a “Charlie Rose” broadcast, shown on Bloomberg TV on Thursday night. He added that as a result, some American banks may be “up against the wall.”

The financial markets are watching nervously as the Greek government tries to push through austerity measures required to secure more international aid.

Greece “needs to better inform the markets as well as the Greek people that what’s being done is actually achieving results, which will help restore confidence,” said Claude Giorno, the senior economist for Greece at the Organization for Economic Cooperation and Development, based in Paris.



But the United States, for the time being, appeared insulated from the problems, and American assets remain a destination for anxious global investors, with the dollar and Treasuries rising.

The Standard & Poor's 500-stock index rose 2.22 points, or 0.18 percent, to 1,267.64. The Dow Jones industrial average closed up 64.25 points, or 0.54 percent, to 11,961.52. The Nasdaq composite index fell 7.76 points, or 0.29 percent, to 2,623.70.

Still, two Deutsche Bank strategists, Jim Reid and Colin Tan, warned in a report on Thursday that this Greek crisis had echoes of the collapse of the Lehman Brothers investment bank in September 2008, an event that plunged the financial system into chaos and required the commitment of trillions of dollars in government support to stave off another Great Depression.

"Everyone in every corner of global financial markets should be keeping a very close eye on upcoming Greek events," they wrote. "The period is resembling the buildup to the Lehman collapse where, although markets were increasingly nervous, virtually everyone expected a last-minute buyer."

One ugly scene that some analysts are imagining involves a default by Greece leading to losses inflicted on banks in other European countries that own large amounts of Greek debt. The European Central Bank, too, is a big holder of debt, and analysts said in the event of a default it might need to be recapitalized, another blow to confidence.

Those losses could then cascade to the United States because the American and European banking systems are so interlocked, lending billions of dollars to each other every day.

American banks and insurance companies may also be liable for the biggest share of default insurance payments to European institutions if Greece or other countries fail. And the trillion-dollar money market fund industry could also suffer.

About 44.3 percent of money-market fund assets are European bank debt, according to Fitch Ratings, although they may be a little insulated because they have sold much of their Spanish, Portuguese and Irish debt. The funds have never held Greek bank debt, which rarely met the funds' credit rating standards. The markets are keenly watching for signs that contagion is spreading through the global financial system.

The renewed volatility in the markets has again trained a spotlight on the Chicago Board Options Exchange Volatility Index. The VIX, as it is known, measures the implied volatility of options on the Standard & Poor's 500-stock index. It rose to settle above 21 on Thursday for the first time since March.

Another pressure gauge under scrutiny is the overnight interbank lending rate. As of Monday, investors' expectations for three months from now of the overnight interbank lending rate showed an increase of about 10 basis points to nearly twice its current levels.

Still, increases in those two measures so far pale in comparison to the spikes in both during last year's flare-up in Europe.

*Contributing reporting were Eric Dash, Stephen Castle, Matthew Saltmarsh and Liz Alderman.*



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# Thieves Found Citigroup Site an Easy Entry

By **NELSON D. SCHWARTZ** and **ERIC DASH**

Think of it as a mansion with a high-tech security system — but the front door wasn't locked tight.

Using the Citigroup customer Web site as a gateway to bypass traditional safeguards and impersonate actual credit card holders, a team of sophisticated thieves cracked into the bank's vast reservoir of personal financial data, until they were detected in a routine check in early May.

That allowed them to capture the names, account numbers, e-mail addresses and transaction histories of more than 200,000 Citi customers, security experts said, revealing for the first time details of one of the most brazen bank hacking attacks in recent years.

The case illustrates the threat posed by the rising demand for private financial information from the world of foreign hackers.

In the Citi breach, the data thieves were able to penetrate the bank's defenses by first logging on to the site reserved for its credit card customers.

Once inside, they leapfrogged between the accounts of different Citi customers by inserting various account numbers into a string of text located in the browser's address bar. The hackers' code systems automatically repeated this exercise tens of thousands of times — allowing them to capture the confidential private data.

The method is seemingly simple, but the fact that the thieves knew to focus on this particular vulnerability marks the Citigroup attack as especially ingenious, security experts said.

One security expert familiar with the investigation wondered how the hackers could have known to breach security by focusing on the vulnerability in the browser. "It would have been hard to prepare for this type of vulnerability," he said. The security expert insisted on anonymity because the inquiry was at an early stage.

The financial damage to Citigroup and its customers is not yet clear. Sean Kevelighan, a bank spokesman, declined to comment on the details of the breach, citing the ongoing criminal investigation. In a statement, he said that Citigroup discovered the breach in early May and the problem was "rectified immediately." He added that the bank had initiated internal fraud alerts and stepped up its account monitoring.

The expertise behind the attack, according to law enforcement officials and security experts, is a sign of what is likely to be a wave of more and more sophisticated breaches by high-tech thieves hungry for credit card numbers and other confidential information.

That is because demand for the data is on the rise. In 2008, the underground market for the data was flooded with more than 360 million stolen personal records, most of them credit and debit files. That compared with 3.8 million records stolen in 2010, according to a report by Verizon and the Secret Service, which investigates credit card fraud along with other law enforcement agencies like the Federal Bureau of Investigation.

Now, as credit cards that were compromised in the vast 2008 thefts expire, thieves are stepping up efforts to find new accounts.

As a result, prices for basic credit card information could rise to several dollars from their current level of only pennies.

"If you think financially motivated breaches are huge now, just wait another year," said Bryan Sartin, who conducts forensic investigations for Verizon's consulting arm.

The kind of information the thieves are able to glean is shared in online forums that are a veritable marketplace for criminals. Networks that three years ago numbered several thousands users have expanded to include tens of thousands of hackers.

"These are online bazaars," said Pablo Martinez, deputy special agent in charge of the Secret Service's criminal investigation division. "They are growing exponentially and we have seen the entire process become more professional."

For example, some hackers specialize in prying out customer names, account numbers and other confidential information, Mr. Martinez said. Brokers then sell that information in the Internet bazaars. Criminals use it to impersonate customers and buy merchandise. Finally, "money mules" wire home the profits through outlets like Western Union or MoneyGram.



“It’s like ‘Mission Impossible’ when they select the teams,” said Mark Rasch, a former prosecutor who is now with CSC, an information technology services firm. “And they don’t know each other, except by hacker handle and reputation.”

In the Citi attack, the hackers did not obtain expiration dates or the three-digit security code on the back of the card, which will make it harder for thieves to use the information to commit fraud.

Not every breach results in a crime. But identity theft has ranked first among complaints to the Federal Trade Commission for 11 consecutive years, with 1.34 million in 2010, twice as many as the next category, which is debt collection.

Many of these attacks have their origins in Eastern Europe, including Russia, Belarus, Ukraine and Romania. In fact, the security expert familiar with the Citi breach said it originated in the region, though he would not specify the country.

In Russia, [Xakep.ru](#), is one of the larger forums for Eastern European hackers today, with nearly 13,300 registered members, according to Cyveillance. [HackZone.ru](#) is larger, and has more than 58,000 members. In addition, attacks by Romanian hackers have grown noticeably more advanced recently, according to security experts.

On HackZone, one seller who called himself “zoloto” promised “all cards valid 100%” and that they would be sold only one time.

Underscoring the multinational nature of these rings, American law-enforcement agencies have also been putting more investigators overseas.

“The only way to address a global issue is to address it globally with your partners,” said Gordon M. Snow, assistant director of the F.B.I.’s Cyber Division.

The Secret Service established a presence in Tallinn, Estonia, last month, and has embedded agents with Ukrainian authorities since the beginning of the year. The F.B.I. has embedded agents in the Netherlands, Estonia, Ukraine and Romania, and works closely with its counterparts in Australia, Germany and Britain.

But even officials at these agencies acknowledge that as fast as they move, the hackers’ strategies are evolving at Silicon Valley speed.

“With every takedown, they regroup,” said J. Keith Mularski, a supervisory special agent with the F.B.I.

*Riva Richmond contributed reporting.*

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# Does Foreign Policy Matter?

By **ROGER COHEN**

LONDON — Perhaps foreign policy doesn't matter in U.S. elections. President George H.W. Bush orchestrated a peaceful unwinding of the Cold War that united Germany within the West. A Europe divided became whole and free. Hundreds of millions of people benefited. They still do. This was one of the finest hours of American diplomacy.

His reward for great achievements on the world stage was to be defeated in the 1992 election. After all, he'd raised taxes. He'd let the size of government grow. Confronted by a grocery store checkout scanner, he looked like a genteel space cadet. So he had his comeuppance from Bill Clinton, who'd got how groceries get bought.

Yes, Americans want money in their pockets that keeps food on the table: to heck with huge events across the oceans. They think foreign policy is for the birds.

Or do they? Americans have an exalted sense of their nation and its liberating mission. That self-image stops making sense if America is not engaged. The authoritative 2010 survey of American public opinion by the Chicago Council on Global Affairs found that more than 8 out of 10 Americans think it's either "very desirable" or "somewhat desirable" for the United States to "exert strong leadership in world affairs."

In the real world that means doing foreign policy. I see Americans torn. There's a quasi-isolationist urge. They're tired of wars. They want jobs. They see problems piling up on the home front that they want fixed ahead of any foreign adventures.

At the same time something rankles when they hear talk of American decline and the end of the American century and China rising. They want a president to stand tall for American greatness if only to anaesthetize them against day-to-day hardship.

Republican wannabes sense all this. To judge by the early stages of the 2012 campaign, they think foreign policy might matter after all. They're trying to cast Barack Obama as a president who has sold America short, an impostor who has ditched the mystical belief in the unique calling of the United States that is American exceptionalism.

So Mitt Romney says Obama takes his values not from the small towns of America but from "the capitals of Europe." Obama treats Israel the way European countries do — with "suspicion" and "distrust." He's offering "European answers to American problems." He's projecting a weak United States: "We're following the French into Libya." The president is a naïve idealist undermined by his "questioning as to whether America is an exceptional nation."

For Europe, in the above characterization, read land of feckless socialists on welfare bent on universal health care.

Not to be outdone, Newt Gingrich has decrypted in Obama a "Kenyan, anti-colonial" worldview.

Gingrich wants a "foreign policy that is clear about the evil that we face" — that would be Shariah law among other things — and rooted in this universalist message: "America is still the last, best hope of mankind on Earth."

As for Sarah Palin, she attributes most of Obama's problems to what she's called his "lack of faith in American exceptionalism."

I have several reactions to this that all fit under the rubric: baloney! First, we're not in 1990 any longer: America remains dominant but cannot resolve major problems alone and will in the next decade, by some estimates, see China overtake it as the world's largest economy.

Second, it's precisely Republican factionalism in Washington that's stopping the United States from attaining again the greatness Republicans invoke. Remember James Madison's admonition to "break and control the violence of faction" through a "well-constructed Union."

Right now factionalism leaves critical budget challenges unmet, stops serious investment in education and research, and leaves America trailing China on the green technologies that will be big job-creators in coming decades. The road to the American future is not "Drill, Baby, Drill!"

Third, it's just delusional to imagine that any president, Republican or Democrat, confronted by the meltdown of 2008, would not have seen as a core task a retrenchment of U.S. overseas commitments in an attempt to bring them in line with diminished resources.

But with an angry, anxious nation, Republicans are betting that invocations of greatness and dominance, however illusory, will resonate. Bruce Jentleson, a political scientist at Duke University, said, "After the killing of Osama bin Laden, they can't attack Obama as a wimp, but they will attack him as not being a real American." Obama, he added, must answer by demonstrating "what this generation of Americans is going to show the world, how it's going to compete in a global era. Against the illusion of restoration, he must offer adaptation."

With the U.S. economy wobbling, Obama runs the Bush Sr. risk. He got Bin Laden and has been on the right side of the Arab Spring — what Timothy Garton Ash has called "the most hopeful set of events in the 21st century so far, comparable in scale and potential to 1989." Americans respond to that kind of hope. They care about foreign policy and see through foreign posturing. What they need now from Obama is a better sense of how their economy can thrive in this changed world.

*You can follow Roger Cohen on Twitter at [twitter.com/nytimescohen](https://twitter.com/nytimescohen).*