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THE WALL STREET JOURNAL.

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Poles and Russians unite

By Marc Champion and Marcin Sobczyk

Taxis flew flags, radio stations played somber music and Poles in the thousands filled the streets of Warsaw to honor the country's president, killed in a plane crash with nearly a hundred senior officials in a tragedy that left has left this the nation in a state of grief.

Poland's divisive politics disappeared from view Sunday as opponents and supporters of the late president, Lech Kaczynski, turned out to throw flowers at his hearse, light candles or join an impromptu cortege of hundreds of cyclists and motorcycles.

The tragedy delivered a major blow to Poland's political firmament. But the response both within the ex-Soviet-bloc nation and from around the world showed how dramatically Poland and its geopolitical environment have changed since the country emerged from the collapse of communism in 1989, historians and politicians said.

Russia's sympathetic response to the crash, in particular, surprised many in Warsaw, leading politicians and ordinary Poles to hope the accident would prove a game-changer in a relationship fraught with blood and resentment.

Ninety-six people—includ-

Please turn to page 5

Agence France-Presse/Getty Images

Soldiers carry the coffin of President Lech Kaczynski after its arrival in Warsaw Sunday, a day after the jetliner carrying him crashed.

Europe lays out aid terms for Greece

By Charles Forelle

BRUSSELS—Euro-zone finance ministers agreed Sunday that if heavily indebted Greece were to receive a bailout, it could get as much as €30 billion ($40.49 billion) in loans this year at about 5% interest from fellow euro nations.

The move puts Greece closer to a bailout as it heads into a week headlined by an auction of Greek treasury bills Tuesday. That is seen as a crucial test of whether the country can still borrow from capital markets. If it can't, it would likely have to turn to the European Union package.

The ministers didn't decide to give Greece the aid; that step would require the unanimous assent of euro-zone leaders. But they laid out terms—especially an interest rate—in an attempt to convince wary financial markets that the European Union does indeed have a plan in place.

Sunday's decision, said Jean-Claude Juncker, the Luxembourg premier and head of the council of euro-zone countries, "shows that there is money behind this."

Still undisclosed is pre-

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The Quirk

Brewery workers' desire to drink on the job comes to a head at Carlsberg **Page 29**

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Lech Kaczynski's legacy. **Page 11**

Light at end of bailout tunnel

By Deborah Solomon

WASHINGTON—The U.S. government's rescue of wobbly companies and financial markets is starting to look far less expensive or long-lasting than once feared.

As momentum grows at companies that looked like zombies just a few months ago to repay taxpayers for lifelines they got during the financial crisis, the projected cost of the bailout is shrinking to just a fraction of previous estimates. Treasury Department officials say the tab is likely to reach $89 billion, which includes the Troubled Asset Relief Program, capital injections into Fannie Mae and Freddie Mac, loan guarantees by the Federal Housing Administration and Federal Reserve moves such as buying mortgage-backed securities and propping up the commercial-paper market.

Treasury officials are increasingly optimistic that even **American International Group** Inc. could be on its own within a year, with officials discussing ways to extricate the government from its 80% stake in the insurer, according to people familiar with the situation. AIG is on track to repay its loan to the Fed through asset sales that will raise $51 billion.

The discussions come as the Treasury is planning to sell its $32 billion stake in **Citigroup** Inc. and **General Motors** Corp. moves toward repaying its $6.7 billion government investment and embarking on an initial public offering this summer. Both companies could be free of government strings sometime this year.

Just a year ago, the Congressional Budget Office and Office of Management and Budget estimated that the overall bailout would cost more than $250 billion. Last month, though, Treasury Secretary Timothy Geithner said the rescues will amount to "less than 1%" of gross domestic product. The $89 billion projection is 42% less than the cost of the savings-and-loan crisis in the 1980s and early 1990s.

The smaller-than-expected price tag reflects the quick stabilization of financial markets, which helped companies to return their taxpayer-funded money—often at a profit—and allowed the government to spend less on some aid programs than originally projected. The government also is earning divi-

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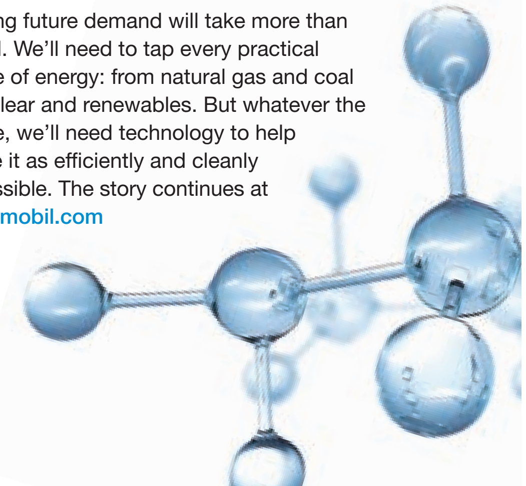

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How the euro zone will manage once the Greek fiasco is resolved

[Agenda]

By Irwin Stelzer

As the Greek financial fiasco heads toward its conclusion, we can turn the page and make some guesses as to the longer run outlook for that country and, indeed, for Europe.

Greece will ask for and get a bailout. Chris Pryce, senior Greece analyst for rating agency Fitch, tells Reuters, "It is now up to the Greek government to go publicly to the European Union and International Monetary Fund and ask for the cash and the support." Laurent Bilke at Nomura agrees. He considers it "increasingly likely that the Greek government will be forced to...ask for a rescue." And European Central Bank President Jean-Claude Trichet assures us, "default is not an issue for Greece," implying withdrawal of his objections to an IMF role in any bailout. But restructuring is a possibility: even a €20 billion-to-€30 billion ($27 billion-to-$40 billion) loan package would leave Greece with an unmanageable debt burden.

Never mind George Petalotis, the Greek government's official spokesman, says there is no need for a rescue package "for the time being," insisting Greece will get its funds from the market. Greece won't pay what he calls "barbaric" interest rates. But Greek 10-year bonds command interest rates in the neighborhood of 7%, and two-years 8%. So good luck to him: Asian investors want no part of Greek bonds, and Americans don't seem eager to fill the gap.

Finance Minister George Papaconstantinou will visit the U.S. to urge investors to take all or part of dollar-denominated debt issues scheduled for later this month and May. No easy sell:

Getty Images

A street vendor sells Greek flags to drivers passing by in Athens

capital is fleeing Greece, manufacturing output and new orders are shriveling at alarming rates, and no one can predict the size of the "haircuts" the ECB will insist on if it is to continue accepting Greek government paper as collateral for ECB loans to teetering Greek banks.

Unalloyed gloom is being replaced with those famous green shoots that economy-watchers love to spot

As both Messrs. Pryce and Bilke argue, the only way Greece can avoid paying "barbaric" rates is for the EU and IMF to make funds available at below-market rates, something German Chancellor Angela Merkel certainly won't agree to before May 9, the date of the election in North Rhine-Westpahalia. After that, with IMF participation and strict supervision of Greek spending as cover, she might risk a constitutional challenge and back down. Germans might hate the idea of bailing out people who retire earlier than they do, but they hate even more the thought of a collapse of "the European project" that they see as the ultimate constraint on the re-emergence of the nationalist sentiment that has done so much harm to their country, not to mention the rest of the world.

Once markets absorb the fact that default by Greece and other troubled euro-zone countries is unlikely, attention will turn to the EU's medium- and long-term economic prospects. Unalloyed gloom is being replaced with those famous green shoots that economy-watchers love to spot.

Markit, which compiles the Purchasing Managers' Index, reports that the euro zone grew in March for the eighth consecutive month, and at the fastest rate since August 2007. Germany, France, Italy, and even Spain recorded growth, the latter for the first time since December 2007.

So far, so good. But the economic data don't all point in one direction. The Economist Intelligence Unit doesn't foresee growth in Western Europe reaching even the still-unsatisfactory rate of 2.0% until 2014, less than half the rate at which it expects the rest of the world to be growing at that time.

Germany, the euro zone's largest economy, is in better shape than it has been, largely due to a spurt in exports, but domestic demand is insufficient to enable it to become the engine that enables the EU to grow at the rate of 3% and over that America is already chalking up. The German government is forecasting a growth rate of only 1.4% this year, after a 5% shrinkage of the economy in 2009. Germany's family-owned, small and medium-size companies, the traditional backbone of the economy, are struggling. MittelstandMonitor, an annual report on the sector, says 40,000 such German companies will go bust this year, a 16.6% rise over 2009 and a record.

Still, the prospect of some growth in the near- and medium-term in Germany and the rest of the euro zone is a considerable improvement over the declines of 2009. But it is the longer term that is most worrisome.

At some point the European Central Bank, which held interest rates steady at 1% last week, will have to begin withdrawing what Mr. Trichet calls its "significant economic stimulus." If it moves prematurely, even the modest growth now forecast might prove unattainable.

More important, in the longer term the euro-zone economies will remain growth laggards if they don't enact the labor-market reforms that they have for so long promised and for so long avoided, make it easier to start new businesses by rolling back regulations, and ease the tax burden on wealth creators by trimming their welfare states. Almost all of Europe's policy makers concede this to be the case, but so far the so-called "Europe 2020" reform strategy exists only on paper.

—Irwin Stelzer is a business adviser and director of economic-policy studies at the Hudson Institute.

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■ **Investors' hopes** for earnings season could pose problems for stocks, given Wall Street's quirky logic. The worry is that stocks, which are up on expected strong profits, could fall when the good news actually arrives. **17**

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"Poland has for years been calling Soviet-era military aircraft used by its officials 'flying coffins.'"

Marcin Sobczyk, on the 20-year-old Tupelov 154 that crashed on Saturday

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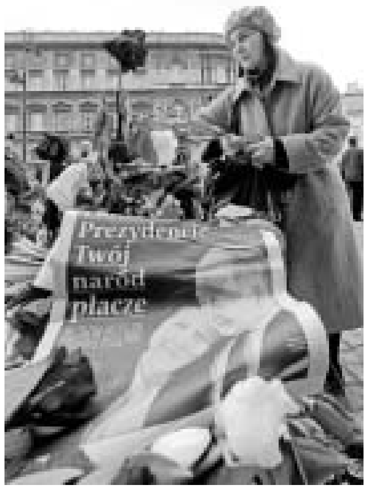

Get continuous updates from Poland as the nation mourns the deaths of its leaders at **wsj.com/world**

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Parsing the pay gap

Women on average earn less than men, but there's more to the story

By Carl Bialik

Later this month, American women will start earning money for the first time this year.

That seemingly nonsensical statement stems from this fact: For the average full-time female worker to earn the same amount of money as the average man, she would need to work nearly four additional months—until the third week of April—because of the 23-percentage-point gap in pay between the sexes.

THE NUMBERS GUY

That is why several advocacy groups have designated April 20 as Equal Pay Day. Lawmakers in the U.S. and the U.K. have taken up the cause, and U.S. President Barack Obama, who cited the pay gap on the campaign trail in 2008, repeated the statistic while commemorating International Women's Day last month. The American Senate is considering a bill meant to address underlying gender discrimination some believe explains the pay gap, and the U.K. Parliament passed such a bill this week.

But do women really earn that much less than men? It depends on how you interpret the numbers.

People often assume that the gender gap measures how much a woman is paid for doing the same job as a man. Instead, the figure is based on a broader look at employment. In 2008, the typical American woman working at least 35 hours a week, year-round, earned 77.1% of what the typical American man did, according to the latest figures from the Census Bureau. That gap has changed little since 2001, ranging from 75.5% to 77.8%.

But restrict the comparison to those working 40 hours a week or more, and the gap narrows, with women earning 87% of what men did. Also, the gap covers all workers, regardless of job title. But men, on average, work in higher-paying fields.

Cornell University economists Francine D. Blau and Lawrence M. Kahn found that after adjusting for factors such as education, experience, occupation and industry, the remaining, "unexplained" gender gap in 1998 was nine percentage points. Women also are likely to interrupt their careers, often to start a family, and such breaks can derail promotions and raises.

"When you first see the numbers, you would say there is a glass ceiling," says Harvard University economist Claudia Goldin. "And yet when you scrutinize the data, you find lots of evidence of people making rational choices."

But advocates for closing the pay gap say these differences in industries, job titles and career tracks might themselves be evidence of discrimination, rather than of free will in the job market.

If women are underrepresented in higher-paying fields, that could be due to hostile environments in those fields rather than women's preference to work elsewhere.

"Employers are doing a terrible job of hiring women in large enough numbers into nontraditional occupations," says National Organization for Women President Terry O'Neill.

Also, not all gender differences explain men's higher pay.

U.S. working women earn less than men even though they are more educated on average than working men, points out Jeffrey Hayes, senior research associate for the Institute for Women's Policy Research.

The importance of how the pay gap is calculated was highlighted in a recent battle in the U.K.

The Government Equalities Office last year said that women earn 23% less than men, based on the median hourly wage of all employees. But the U.K. Statistics Authority, which audits government numbers, pointed out that the gap looks much smaller when focusing on full-time workers, among whom men make 13% more than women; or part-timers, among whom women make 3% more than men.

The gap is bigger overall than in either of the subsets of workers because more men than women work full-time, and full-time workers earn more than part-timers per hour.

Unequal pay

While the difference in pay between genders has narrowed in the U.S., it is still pronounced, especially in certain fields.

Median earnings of full-time U.S. workers, 2008 dollars:

PROFESSION	WOMEN'S EARNINGS COMPARED WITH MEN'S	WORKERS WHO ARE FEMALE
Programmers	92.7%	23.3%
Cashiers	80.9	72.2
Waiters	79.4	66.6
Chief executives	74.5	19.7
Lawyers	73.7	31.7
Beauticians	69.6	87.6
Dentists	67.4	21.3
Retail sales	67.2	40.3
Financial analysts	64.6	34.0
Physicians	60.8	30.6

Source: U.S. Census Bureau

Crash inquiry focuses on jet, crew

By Ira Iosebashvili
and Daniel Michaels

Rescuers inspect a Polish government Tupolev Tu-154 aircraft that crashed, killing the Polish president and 95 others.

Troubled record

The Soviet-designed Tupolev 154 is still widely used and has been involved in many major accidents recently.

Date	Location	Operator	Fatalities
April 10, 2010	Smolensk, Russia	Polish Air Force	96
Jan. 24, 2010	Mashhad, Iran	Taban Air (Iran)	0
July 15, 2009	Qazvin, Iran	Caspian Air (Iran)	168
June 30, 2009	St. Petersburg, Russia	Aeroflot (Russia)	0
Sept. 1, 2006	Mashhad, Iran	Iran Air Tours	28
Aug. 22, 2006	Donetsk, Ukraine	Pulkovo Aviation Enterprise (Russia)	170
Aug. 24, 2004	Gluboki, Russia	Sibir Airlines (Russia)	46
July 1, 2002	Ueberlingen, Germany	Bashkirskie Avialinii (Russia)	69

Source: Aviation Safety Network Photo: Agence France-Presse/Getty Images

Investigators seeking the cause of the plane crash that killed Polish President Lech Kaczynski, his wife and a delegation including dozens of high-level officials Saturday are likely to focus on the Tupolev 154 jetliner and the pilots' actions.

The Russian-made plane, which was 20 years old, had been overhauled in December at a Russian aviation facility and had flown relatively few hours. The TU-154 was on its second attempt to land amid heavy fog, Russian officials said. Investigators will seek to understand why the crew tried to land in such unfavorable conditions.

Russian aviation officials said the airplane's pilot ignored warnings to abort his landing outside of Smolensk, Russia, and to land instead in Minsk or Moscow. The jet crashed about a kilometer, or less than a mile, short of the runway at the Smolensk-Severnyi military airport, shortly before 11 a.m. Moscow time.

A joint Polish-Russian team of investigators began Sunday to examine the contents of the black boxes from the jetliner. Polish officials haven't commented on the possible cause of the crash, while their Russian counterparts have pointed to crew error as the likely cause.

Alexander Bastrykin, head of Russia's Investigative Committee, told Russian Prime Minister Vladimir Putin on Sunday that the preliminary analysis from the black boxes showed no sign of mechanical problems with the plane. "The pilot was informed about the difficult weather conditions but nevertheless made the decision to land," Mr. Bastrykin said.

The airport lacked modern radio-navigation systems that help guide planes in poor visibility, according to the Polish newspaper Rzeczpospolita.

A Russian official said the pilot disobeyed air-traffic controllers' instructions to level off when controllers saw the jetliner was descending too quickly to reach the runway.

"The controller ordered the crew to return to horizontal flight, and when the crew did not fulfill the instruction, ordered them several times to land at another airport," Lt. Gen. Alexander Alyoshin, deputy chief of Russia's Air Force, told Russian state TV on Saturday. "Nonetheless the crew continued to descend. Unfortunately, this ended tragically."

The Tupolev was operated by the Polish Air Force. LOT Polish Airlines, the country's state-owned commercial carrier, replaced all its Soviet-made jetliners—including TU-154s—in the 1990s.

During the presidential plane's overhaul in December, its engines underwent thorough maintenance, and the craft's interior was completely refitted and modernized, said Alexei Gusev, director of Aviakor, an aircraft plant outside of Samara.

"The plane flew fine, there were no complaints about it," Mr. Gusev said. "I remember the pilots who test-flew it after the overhaul, and they were happy with its performance."

The aircraft had logged roughly 5,000 hours of flying time in about 1,800 flights, Mr. Gusev said. "This is not a lot at all for this airplane. As a rule, airplanes serving top officials do not see many hours of usage," he said.

Designed by Soviet engineers and first flown in 1968, the TU-154 has seen heavy use in Russia and other former Soviet countries. More than 920 of the three-engine planes have been built, although production slowed sharply after the end of the Soviet Union due to economic problems there and the plane's high operating costs. Its engines consume more fuel than similar-size Western-built jetliners and require more maintenance.

Still, the aircraft is extremely hardy. It is designed to operate off of gravel and packed-earth air fields, and resist the extreme cold often found in Russia's northern climes.

Aeroflot, Russia's state airline, announced the retirement of its TU-154 fleet at the start of this year.

The airplane also had served Poland's two previous presidents, Lech Walesa and Aleksander Kwasniewski. In 2008, the airplane was delayed in Ulan Bator airport for two days when its steering mechanism broke down.

Last June, an Iranian TU-154 crashed in the country's northwest, killing all 168 people on board. A Russian TU-154 also went down near Donetsgk, Ukraine in August 2006, killing 170.

Poland has suffered several air crashes involving top officials and Soviet-built aircraft, which the country was forced to use until breaking from Soviet domination in 1989. In 2003, then-Prime Minister Leszek Miller was seriously injured when his Russian Mi-8 helicopter crashed.

In March 1980, a Soviet-built Ilyushin-62 passenger jet operated by LOT and flying from New York crashed on landing in Warsaw, killing all 87 people on board.

And in an accident many Poles are likely to see as a parallel to Saturday's crash, Poland's prime minister-in-exile and leader of Western-oriented Polish forces in World War II, Gen. Wladyslaw Sikorski—a figure admired by followers of late President Kaczynski—died when his U.S.-made B-24 crashed into the Mediterranean Sea on a flight from Gibraltar to London.

Official's death could test central bank independence

By Malgorzata Halaba
And Marynia Kruk

WARSAW—Following the sudden death of Polish Central Bank Governor Slawomir Skrzypek in a plane crash Saturday in western Russia, his first deputy, Piotr Wiesiolek, will become interim chief, according to Poland's central bank law.

Analysts said that the governor's death is unlikely to change the path of monetary policy, but that the appointment of Mr. Skrzypek's permanent successor will be a test of whether Poland's ruling Civic Platform party will be tempted to impinge on the central bank's independence.

Mr. Skrzypek died along with President Lech Kaczynski and many other top Polish officials.

"Since this [transfer of power] mechanism has never been tested, it is unclear who will name a new permanent central bank chief," said Mateusz Szczurek, chief economist at ING Bank Slaski in Warsaw.

Under bank rules, the governor is appointed by parliament, but the president nominates the candidate.

"Now there is a question who will nominate the candidate in the president's absence," said Marcin Mrowiec, chief economist at Bank Pekao SA in Warsaw.

If the appointment takes place before a new president is chosen in an election, now likely to take place around midyear, Bronislaw Komorowski, who as parliamentary speaker becomes acting president, will make the choice.

Mr. Komorowski also is Civic Platform's official candidate for president.

In recent weeks, the management board of the central bank, led by Mr. Skrzypek, had come into open conflict with six members of the council after a council majority voted to change the rules dictating how the bank's net profit was calculated.

Because most of the council has been appointed by the ruling Civic Platform, analysts had become concerned whether the conflict—and its outcome—threatened the central bank's independence.

Thus, the name of Mr. Skrzypek's successor becomes crucial, Mr. Mrowiec said.

"Right now Poland enjoys a very positive image among investors," he said. "But if the markets start to doubt the central bank's independence, it could raise the cost of Polish debt and weaken the zloty."

Russian response earns appreciation from Poles

By Gregory L. White

MOSCOW—It was to be a week of reconciliation, bringing closure after 70 years of lies and recrimination over the murders of thousands Poland's best and brightest at the hands of Soviet agents.

But when the Soviet-made plane carrying Polish President Lech Kaczynski and dozens of other top officials to memorial ceremonies crashed on landing in western Russia Saturday, the bloodstained woods of Katyn claimed new victims. The spirit of reconciliation seems to have survived.

After years of tension, relations between Moscow and Warsaw had been on the mend in recent months as both sides toned down the rhetoric and focused on areas they could cooperate, such as energy supplies. Last week's ceremonies around Katyn—where Soviet agents killed thousands of Polish officers in 1940—were to help bring closure to one of the darkest chapters in Polish-Russian relations.

Since the crash, Moscow has mounted an unprecedented response, winning appreciation from Poles. "The behavior of Russia's leaders and citizens demonstrates that there's been real change," said Adam Rotfeld, Poland's former foreign minister. "Many issues can be resolved on the wave of the empathy toward Poles. This may turn out to be a breakthrough."

Russian Prime Minister Vladimir Putin rushed to the scene of the crash Saturday, where he embraced Polish Premier Donald Tusk after the two laid flowers amid the wreckage. President Dmitry Medvedev declared Monday a day of mourning. Russian officials vowed full cooperation with Polish counterparts in the crash investigation.

POLAND'S TRAGEDY

Lech Kaczynski
Poland's president, age 60
A nationalist conservative who had been in office since 2005, he was a founder of the Law and Justice party, now in opposition, and the twin brother of its leader, former Prime Minister Jaroslaw Kaczynski.

Poland mourns | Some of the victims in the crash of the Polish jet.

Maria Kaczynska
Poland's first lady

Aleksander Szczyglo
Head of the National Security Office

Gen. Tadeusz Buk
Army's land-forces commander

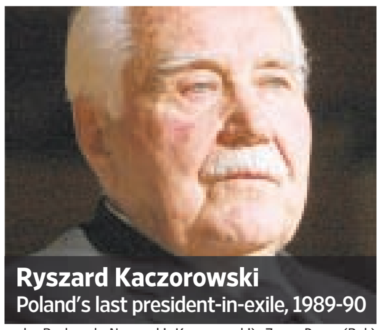
Gen. Franciszek Gagor
Army chief of staff

Jerzy Szmajdzinski
A deputy parliament speaker

Piotr Nurowski
Head of Poland's Olympic Committee

Slawomir Skrzypek
President of the National Bank of Poland

Krystyna Bochenek
A deputy parliament speaker



Ryszard Kaczorowski
Poland's last president-in-exile, 1989-90

AFP/Getty Images (L. Kaczynski, Skrzypek); Associated Press (M. Kaczynski; Szmajdzinski); Reuters (Gagor); EPA (Szczyglo; Bochenek; Nurowski; Kaczorowski); Zuma Press (Buk)

Poland comes together to mourn leaders

Continued from first page
ing President Kaczynski, his wife Maria, the entire high command of the Polish armed forces and Poland's central bank governor—died Saturday when their Russian-built Tupolev-154 aircraft crashed in heavy fog as it tried to land at a military airfield outside Smolensk, in Western Russia. The delegation had been on its way to commemorate the execution of some 22,000 Polish officers, intellectuals and others by Soviet secret police in 1940, an effort to crush the Polish resistance at that time.

Moscow acknowledged responsibility for the killings, the Katyn Massacre, only in 1990. Last week's ceremonies around Katyn were supposed to help bring closure to one of the darkest chapters in Polish-Russian relations.

Referring to Poland's history of partition and occupation by Germany and Russia, Timothy Garton Ash, professor of European Studies at Oxford University, said: "For more than two centuries, Poland had to nurse the wounds of its national tragedies on its own, ignored or even despised by others. Now that it is an important country both in the European Union and in NATO, its neighbors and partners are with it."

President Kaczynski was a divisive character in Poland and Europe. He pressed hard for conservative Catholic values and sought to expose ex-communist collaborators who were allowed to flourish in the compromises made to ensure Poland's peaceful release from communism. He also pushed for recognition of historical wrongs from Germany and Russia, at times creating severe friction with allies in the EU as well as with Moscow.

In a peculiar irony of the crash, economists said the death of Mr. Kaczynski leaves the country with, on paper at least, the most unified government Poland has had since the collapse of communism in 1989. That's primarily because the prime minister and acting president are now from the same political party, and enjoy a stable ruling coalition in parliament.

"It doesn't matter if you were for [President Kaczinski] or against him, this is a national tragedy," said Kamil Siwinski, a 26 year-old environmental engineer, as he waited for the cortege in central Warsaw. "Because of this accident, the whole world may now hear the truth about what happened at Katyn" in 1940.

Already on Sunday, however, questions were being asked on television and Polish Facebook walls about how the government could have allowed so many senior politicians and military leaders to travel on the same plane.

"This shouldn't have happened," said Lech Walesa, the former Polish president and iconic leader of the anti-communist Solidarity movement, speaking to reporters in the Baltic seaport of Gdansk. Mr. Kaczynski and his identical twin brother (who wasn't aboard the plane) also were influential members of Solidarity.

Alluding to the pilot's decision to land in thick fog, which Russian authorities have quickly identified as the cause of the crash, Mr. Walesa said: "I don't believe the pilot was making decisions on his own, this is not probable. I flew those airplanes and in case of any doubt, they would always come to the commanders and ask for the decision," Mr. Walesa said. "We don't know, let's leave it for now."

Russian and Polish investigators continued with the grim job of identifying remains on Sunday. Jaroslaw Kaczynski, the president's twin, returned ashen-faced on the plane with his brother's corpse, after identifying the remains in Smolensk.

Jaroslaw Kaczinski was supposed to have been on the flight with his brother, but switched with another politician at the last moment, said Adam Bielan, a member of the European Parliament and close aide to the president who accompanied Jarowslav Kaczynski to Smolensk, in remarks on television.

Mr. Bielan said Mr. Kaczynski hadn't told his hospitalized, 84-year-old mother, Jadwiga Kaczynska, about her son's death, for fear of the impact it could have on her health.

The two brothers and their mother were extraordinarily close. Monika Olejnik, a prominent political talk-show host, said on Sunday that President Kaczynski once told her his mother called him on his cell phone as often as every one to two hours. Mr. Bielsn said President Kaczynski last spoke to his brother when he called him from the plane, 36 minutes before the crash.

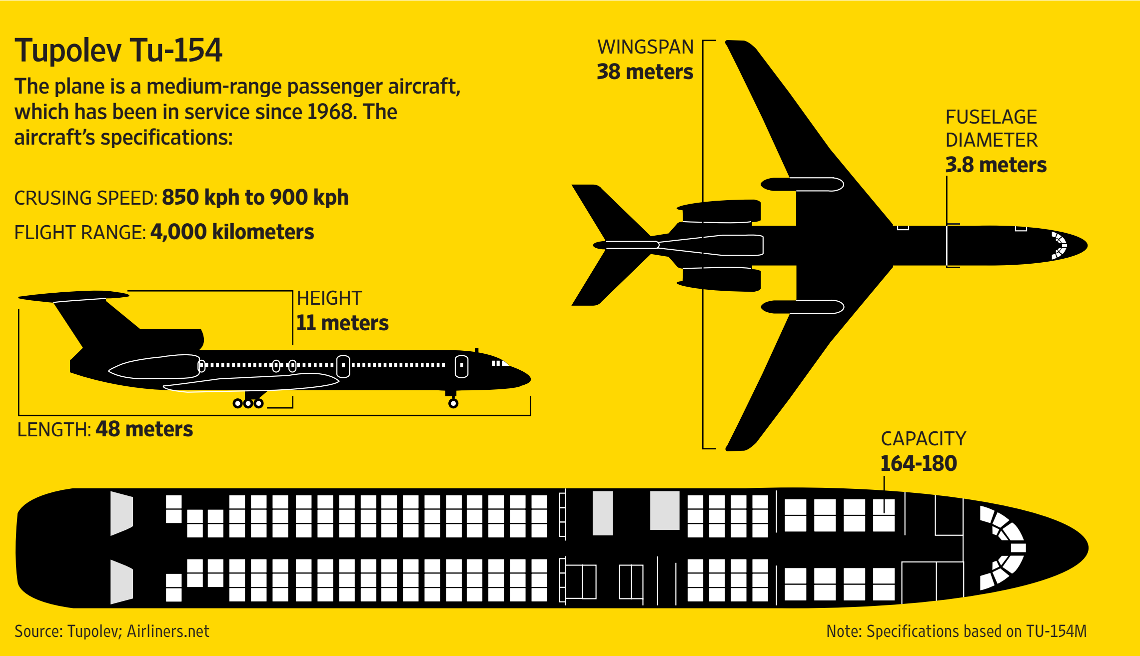
Moscow has mounted an unprecedented response to the crash, winning appreciation from Poles. "When a Russian journalist says 'forgive us,' this is very dramatic," said Ms. Olejnik, speaking on the main Polish commercial television channel, TVN. She was referring to comments from a journalist on Echo Moskvy, the liberal Russian radio station. After years of tension, relations between Moscow and Warsaw had been on the mend in recent months as both sides toned down their rhetoric and focused on areas where they could cooperate, such as energy supplies.

Polish politicians appeared equally anxious Sunday to turn the event into a positive, rather than a negative, for the relationship with Russia, avoiding any suggestion of blame and praising the Russian response. The Polish government spokesman denied Polish press reports that Russian investigators had opened the Tupolev's black box without Polish officials present, saying the Polish aviation experts had been there.

"The behavior of Russia's leaders and citizens demonstrates that there's been real change," said Adam Rotfeld, Poland's former foreign minister. "Many issues can be resolved on the wave of the empathy toward Poles. This may turn out to be a breakthrough."

President Kaczynski in particular had clashed with Moscow in the past. He strongly supported Georgia during its 2008 war with Russia. He attacked a planned pipeline from Russia to Germany across the Baltic Sea. And for a long time he blocked EU negotiations for a framework treaty with Russia. But his position, too, appeared to have been mellowing lately.

—Greg White in Moscow, and Malgorzata Halaba and Maria Kruk in Warsaw contributed to this article.



EUROPE NEWS

Reuters

Viktor Orbán, leader of Hungary's center-right opposition party Fidesz, speaks to reporters in Budapest after casting his vote in Sunday's parliamentary elections.

Hungarian opposition leads

Center-right Fidesz is likely to win first round of parliamentary elections by wide margin

By Margit Feher

BUDAPEST—Hungary's biggest opposition party, the center-right Fidesz, is set to carry the first round of parliamentary elections Sunday by a large margin, unseating the minority Socialist government, the latest opinion polls say.

If Fidesz prevails in the first round—and the second, later this month—the new government's stance on fiscal policy and structural reforms will be crucial for investor sentiment toward Hungary, the first European Union country that secured International Monetary Fund support amid the global crisis.

Hungary, which has yet to emerge from recession, last year experienced its deepest economic decline of the past two decades. Starting in October 2008, investors turned away from Hungary, because of its large external debt and lax fiscal policy, which the Socialist government tried to mend with severe austerity measures that led to rising unemployment and falling consumption.

The deteriorating economic conditions, many observers say, have some voters inclined to punish the current government—and to favor right-wing parties such as Jobbik, which has seen a surge in support over the past few months.

Fidesz, led by former Premier Viktor Orbán, was widely expected to take as much as 57% of the vote, according to polls released after voting stations closed Sunday evening, the Associated Press reported. Exit polls showed Jobbik at 15% to 17%, just behind the Socialists' 19% to 20%, the AP reported.

Fidesz has dismissed the target for this year's budget deficit—3.8% of gross domestic product—as "bogus." The party said it plans to renegotiate Hungary's standby IMF credit line, but hasn't detailed any possible changes.

Fidesz has indicated that it will pursue economic growth, and to reach that goal, it plans to cut taxes, establish a million jobs over the next 10 years, and probably raise this year's deficit target to an anticipated 6.5% of GDP.

U.K. parties to unveil platforms

By Alistair MacDonald

The U.K.'s major political parties will issue election manifestos this week, with the ruling Labour Party slated on Monday to release a platform that avoids costly promises for the debt-laden country and creates new provisions to discourage some unwanted corporate takeovers.

While much of the Labour manifesto will be a retread of what has already been announced, there will be a few eye-catching moves. Among those are promises to toughen the U.K.'s takeover laws, which have come under fire following the recent takeover of British confectioner **Cadbury** PLC by U.S. rival **Kraft Foods** Inc. That deal has raised questions in the U.K. about whether takeovers that have put huge swaths of British industry in foreign hands have gone too far.

The Labour platform includes a promise to give the government the power to block takeovers of mainly utility and infrastructure companies, such as energy and telecom firms, said a person familiar with the matter. Such deals could be denied because they aren't deemed in the national interest, this person said. While the proposed changes come after Cadbury, these protections wouldn't have stopped that deal.

Following the Cadbury deal, Business Secretary Peter Mandelson called for an overhaul of British takeover rules to encourage shareholders to look out for the longer-term interests of a firm, measures that will likely be encouraged through the manifesto, the person said. He suggested the threshold for approving takeovers should rise to 66% of shareholders. The U.K. Takeover Panel is reviewing the rules.

The Labour manifesto, "constrained by financial pressures," will also focus on a rebalanced economy, reforms to the political system and public service reforms, Labour minister Ed Miliband said Sunday. But the U.K. needs to cut the largest deficit of the major economies, leaving little space for pre-election giveaways and costly promises.

"There are no big new spending commitments, but there is a determination for every penny to be used wisely, and...to give the maximum protection to front-line public services," Prime Minister Gordon Brown will say in the forward, said a person familiar with it.

Attention has focused on taxation during this campaign, after the Conservative Party said it wouldn't increase a payroll tax and use the proceeds of a levy on banks worth at least £1 billion ($1.54 billion) to fund a marriage tax break.

In a move that will likely keep the focus on taxes, the Liberal Democrat Party will say it has calculated that the poorest 20% of taxpayers now pay more than a percentage point more of their income in tax than they did in 1997, when Labour came to power, a spokesman said. The party will say the richest 20% are paying less in income tax.

The Liberal Democrats will release their manifesto on Wednesday, the spokesman said.

The Conservative Party's manifesto could come as early as Tuesday. It will detail the party's plan to offer shares in banks that were nationalized, or partly nationalized, during the financial crisis, to retail investors at a discounted price, a spokesman said. The manifesto will also detail ways to encourage younger people and those on lower incomes to save money.

Mr. Miliband said the Labour manifesto will pledge to move Britain away from overreliance on the financial-services sector and consumer spending and will include plans to help Britain compete in key emerging sectors.

"It won't be a return to business-as-usual manifesto....We need to grow differently," he said.

Opinion polls over the weekend continued to show a solid Conservative lead.

—Laurence Norman contributed to this article.

Europe lays out the terms for aid offered to Greece

Continued from first page

cisely what set of circumstances would be enough to trigger the bailout. Mr. Juncker said the money would be provided "if needed"; reluctant German officials have said Greece needs to try, and fail, to borrow on financial markets before it gets help.

Greece has a giant budget deficit and huge debts that it needs to refinance. It has been barreling toward two big debt maturities this month and next for which it will need billions of euros. Last month, euro-zone leaders agreed that Greece would have to take any bailout in the form both of loans from euro-zone countries and a package from the International Monetary Fund.

The EU's plan, spelled out Sunday, comes with far tougher terms than the IMF's. Olli Rehn, the EU's economic commissioner, said the rate for three-year borrowing would be around 5%. The IMF, by contrast, would charge around 2.7% for up to three years on a €10 billion loan.

But both, at least at the moment, are better than trying to scrounge money from capital markets. Investors have been driving up Greece's borrowing rate furiously over the past week—the yield on a Greek two-year bond was above 7% Friday.

It wasn't clear how much Greece could receive in total, though Mr. Rehn said "in principle" a ratio of two-thirds EU aid to one-third IMF "is the correct magnitude." That implies about €15 billion of IMF funding—a very large amount by the fund's standards.

The high rates in the EU's package reflect a determination not to give Greece a handout—and to push it back toward borrowing from the markets. A bailout is deeply unpopular in Germany, which would write a bigger check than anyone—German officials have pushed to make the terms as tough as possible.

Messrs. Rehn and Juncker said all euro-zone countries would contribute to the bailout pool, in proportion to their shares in the European Central Bank—roughly a measure of their economic size.

That would include already fiscally strained countries like Spain and Ireland. Mr. Rehn implied that such countries, in return for their participation, would get a break from EU authorities when measuring their debts and deficits against EU-wide limits.

Progress on an EU bailout plan has come in dribs and drabs. First, in mid-February, EU leaders called an emergency summit and announced they would take "determined and coordinated action, if needed to safeguard financial stability." Days later, euro-zone finance ministers said they had give Greece a month to get its deficit-cutting plan on track; in another meeting the next day the wider group of all the bloc's finance ministers said more or less the same thing.

When that deadline rolled around in March, the finance ministers said that they had "clarified the technical modalities" of a Greek bailout but that none was yet needed and that the decision would have to be made by EU leaders.

They met a week and a half later and pronounced that they would join the International Monetary Fund and give loans to Greece if "market financing is insufficient" for the debt-burdened country. They left the details undecided.

U.S. NEWS

Top earners face inevitable tax bite

Unless Washington cuts spending, many Americans likely to feel pinch; midterm elections complicate the situation

By John D. McKinnon

Most Americans believe taxes are heading higher. The big questions are by how much, when, and on whom?

THE OUTLOOK

Unless Washington summons the nerve to drastically cut spending, the answers are likely to be a lot, soon and probably on many ordinary Americans, but especially the well-to-do.

A January study by the nonpartisan Tax Policy Center provides the worst-case scenario. It found that to reduce the federal budget deficit to a sustainable 3% of gross domestic product, the government would have to find an average of about half a trillion dollars each year in new revenue (or spending cuts). That's roughly how much the federal government spends now on the giant Medicare program.

To cover that amount through tax increases on the top two brackets—roughly, families with more than $209,000 in taxable income—top rates would have to go from the current 33% and 35% to 72.4% and 76.8%, the study found.

Citing those findings, Sen. Orrin Hatch (R., Utah) says such steep rate increases can't provide the answer.

"They would cripple economic growth," says Mr. Hatch, who's in line to become the top Republican on the Senate Finance Committee next year. Mr. Hatch, like other Republican lawmakers, insists spending reductions are the only way to address deficits.

But if Congress and the White House ultimately decide to go with a mix of spending cuts and tax increases—as seems more likely for now—lawmakers probably would seek to spread the tax pain around.

One idea gaining currency is broadening the tax base, by limiting individuals' deductions and closing what the Obama administration terms corporate tax loopholes.

Another plan getting attention is adding new taxes on consumption, such as a value-added tax, widely used in other countries. The VAT could be paired with an overhaul of the U.S. corporate tax, to focus it only on income generated inside the U.S., and make it more like other countries' tax systems.

Each idea faces political challenges. The real-estate industry, for example, would fiercely resist limiting the huge mortgage-interest deduction—an idea that the Obama administration already has floated with its proposal to limit the value of top earners' itemized deductions to 28%, from 33% and 35%.

Corporations, meanwhile, worry that taking away their tax breaks will make them less competitive with overseas rivals, and encourage more cross-border takeovers of American companies. Big retailers oppose a broad consumption tax, because it would limit spending.

Still, the possible elements of an eventual budget deal are on the table. At this point, rate increases, especially on higher-income earners, appear likely, and further limits on some types of deductions are very possible, as evidenced by the health-care legislation's modest curbs on tax breaks for employer-sponsored health plans.

And even some conservative economists concede that consumption taxes, such as on energy, are among the least harmful sorts of taxes under consideration.

So when will taxes go up? It's already started. The just-passed health-care bill contained a couple of increases in Medicare payroll taxes for higher-income earners. Deloitte experts say those provisions would cost about $2,250 for a family with income of $500,000.

Congress might raise taxes on the well-heeled still further this year. President Barack Obama has proposed allowing the Bush-era tax cuts to expire for families making more than $250,000, a change that would return their top rates to 39.6% and 36%, lift their capital-gains rate and trim some deductions.

Given the still-precarious economy, the coming election and the looming need for a broader look at spending and taxes, it's possible Congress will decide to simply extend some or all the Bush tax cuts for a year or two. And prospects are growing that Congress will punt on the tough tax decisions until after November. But sometime soon after the election, lawmakers will try for a broad bipartisan deal on taxes and spending, perhaps aided by a recently formed fiscal commission.

At least some Democrats remain optimistic, despite Republicans' resistance to new taxes and their own members' reluctance to cut entitlements. When Rep. Richard Neal (D., Mass.) joined the House in 1989, deficits were so deep that "many said we could not fix that issue," he says. "But [President George H.W.] Bush once and Clinton twice, with spending and revenues, addressed the issue four-square."

Mr. Neal, the chairman of a key House Ways and Means subcommittee, held a hearing recently that explored many of the tax options, such as base-broadening and consumption taxes.

Mr. Obama might want to postpone the day of budget reckoning until after the 2012 election. Some economists worry that the U.S. won't have that much time, however, and that the financial markets suddenly might lose confidence in U.S. ability to repay its debt.

As for who will wind up paying higher taxes, it's a safe bet that the well-to-do will bear the lion's share, particularly if Mr. Obama has his way. The president "is not proposing to cut the deficit at the expense of middle-class families," says White House spokeswoman Amy Brundage.

Republicans complain that already, almost half of American households pay no income tax, a trend that Rep. Pat Tiberi (R., Ohio) worries will continue.

Still, even some Democrats appear to be questioning Mr. Obama's pledge to protect all families making less than $250,000.

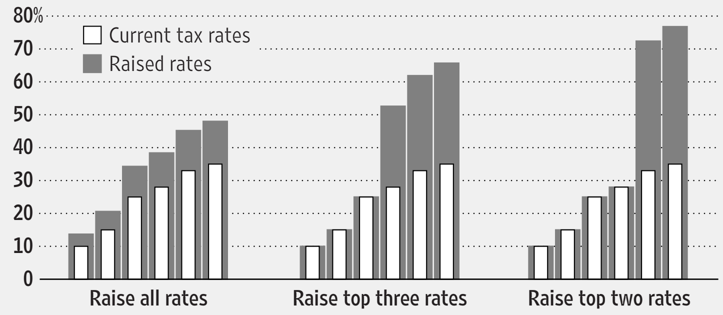
The "notion that somehow this is going to be accomplished merely by taxing 1% of the population or 2% of the population or 5% of the population is...a fantasy," Rep. Earl Blumenauer (D., Ore.), said at the recent hearing.

Like a number of Democrats, Mr. Blumenauer said he's "intrigued" with the consumption-tax idea.

Tax experts say consumption taxes are regressive, because lower-income people tend to spend a greater proportion of their income. But a consumption tax could be designed with offsetting breaks for lower-income Americans, to shield them from its impacts.

Top heavy

Closing budget gaps by raising taxes only on high earners would place heavy burdens on them, a recent study showed. Rates shown would be required to reduce deficits to 3% of gross domestic product.



Source: Tax Policy Center (Urban Institute and Brookings Institution)

Republicans don't rule out court filibuster

By Sarah N. Lynch And Yochi J. Dreazen

WASHINGTON—Republican members of the Senate Judiciary Committee refused to rule out trying to filibuster President Barack Obama's nominee to succeed Supreme Court Justice John Paul Stevens, keeping their powder ready for a possible political battle over the appointment.

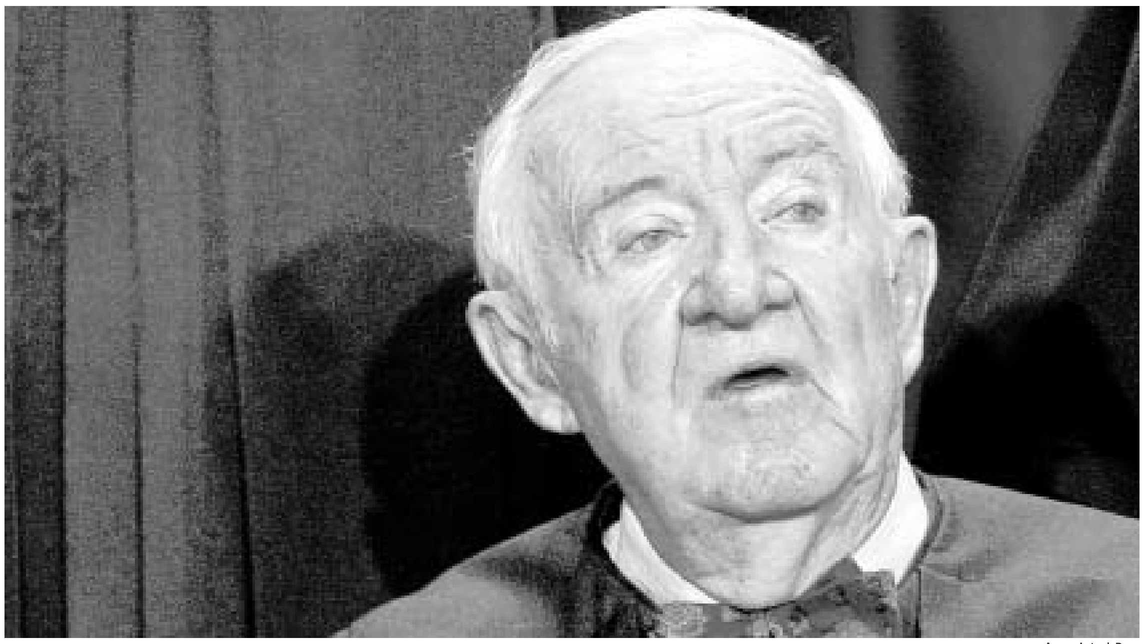
Sen. Jon Kyl (R., Ariz.), on ABC's "This Week" on Sunday, said he believed that a Republican filibuster over any nominee was "unlikely," but that he would "never take it off the table." Senate Judiciary Ranking Member Jeff Sessions (R., Ala.), on NBC's "Meet the Press," said he hoped Republicans wouldn't have to resort to a filibuster.

"President [Barack] Obama himself tried to filibuster Justice [Samuel] Alito," Sen. Kyl recalled, referring to former President George W. Bush's nominee, who ran into opposition from liberal groups over what they perceived as his hard-right, conservative views. Mr. Kyl added that such a scenario could be "easily avoided" by appointing a mainstream judge.

Justice Stevens on Friday announced that he would step down this summer, setting the stage for Mr. Obama to pick his second high court judge. Justice Stevens is viewed as the strongest liberal voice on the Supreme Court, and any move to appoint a like-minded judge could set up a battle in the Senate.

Senate Judiciary Committee member Charles Schumer (D., N.Y.), who also appeared on "This Week," said he didn't think "there will be a filibuster or a blocking." He said Mr. Obama has proven with his selection of Sonia Sotomayor to the Supreme Court that he appoints people who are in the "mainstream," and that these were the kinds of nominees he would like to see.

Several names have emerged as potential candidates, including Solicitor General Elena Kagan, Homeland Security Secretary Janet Napolitano and two federal appeals court judges, Diane Wood and Merrick Garland.



Associated Press

Justice John Paul Stevens, who turns 90 later this month, said he would retire from the Supreme Court this summer.

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WORLD NEWS

Associated Press

Dominique Strauss-Kahn urged using cyclical upswings to refinance debt more.

Continue the changes

IMF's Strauss-Kahn urges financial-overhaul pace be maintained

By Natasha Brereton

CAMBRIDGE, England—International Monetary Fund Managing Director Dominique Strauss-Kahn stressed the need to maintain momentum in financial overhaul, warning of the risks posed as countries' approaches diverge.

Mr. Strauss-Kahn said in a speech in Cambridge on Saturday that as the world economy becomes more interconnected, international policy coordination will be important to secure "stable, strong and balanced" economic growth.

He also cautioned that global economic imbalances are likely to widen again unless policies that encourage new sources of growth to emerge are implemented.

"Many countries are approaching ... big-picture reforms from different directions and at different speeds," Mr. Strauss-Kahn said at the inaugural conference of the George Soros-sponsored Institute for New Economic Thinking. "This presents a great risk of uncoordinated policies, distorted capital flows and regulatory arbitrage," he said.

On a related point, Mr. Strauss-Kahn acknowledged the importance of plans to handle large and complex financial—so-called too-big-to-fail—institutions but noted that proposed mechanisms may be limited by national borders.

In addition to the creation of a European Resolution Authority, as he previously proposed, "a solution is also needed on a much broader international scale," he said.

He underscored the need to do more to prevent public debt from building up to high levels in the future.

He added that an international approach would also be useful in deciding whether to tax the financial sector, to help prevent major inconsistencies in policies.

The IMF is assessing whether it can further refine its financing instruments, including the flexible credit line, to "more effectively" meet members' needs, he said.

While Mr. Strauss-Kahn didn't address the international financial-aid package for Greece that was unveiled Sunday, he did underscore the need to do more to prevent public debt from building up to high levels in the future—by more aggressively using cyclical upswings to refinance debt, via medium-term fiscal frameworks, credible commitments to reducing debt-to-GDP ratios, fiscal rules with escape clauses for recessions and transparent fiscal data. Automatic stabilizers also could be refined.

"One idea would be to let certain taxes or transfers be triggered when a threshold value for a particular macroeconomic variable, such as GDP growth, is crossed," he said. As an example, he suggested that governments could activate temporary measures such as a flat, refundable tax rebate, or a percentage reduction in a taxpayer's liability to help spending by low-income households.

"To support investment by firms, cyclical investment tax credits might help. Similarly, on the expenditure side, one can think of temporary transfers targeted at low-income or liquidity-constrained households," he said.

Italian blasts detentions

The head of an Italian medical charity denounced Sunday the detainment of his workers in Afghanistan in an alleged plot to kill an Afghan official, likening the move to an "abduction."

By Matthew Rosenberg in Kabul and Stacy Meichtry in Rome

Afghan authorities on Saturday raided a hospital run by the prominent Italian charity, Emergency, and detained three Italian medical workers for their alleged involvement in a plan to kill the governor of a southern province where U.S. and allied forces are battling the Taliban, officials said.

On Sunday, Emergency's founder, Gino Strada, told a Milan news conference the medical workers—Marco Garatti, a surgeon, Matteo Dell'Aira, a medic, and Matteo Pagani Gauzzugli Bonaiuti, the hospital's logistics chief—weren't informed of the specific allegations against them and were denied legal representation.

Mr. Strada denied the workers had any role in the alleged plot, calling the allegations "grotesque."

"Our medics were abducted by the police of the Karzai government, the same government that is defended by the international coalition to which Italy belongs," Mr. Strada said, referring to Afghan President Hamid Karzai.

Six Afghans were also arrested during the raid Saturday in Lashkar Gah, the capital of Helmand province.

The provincial governor, Gulab Mangal, told reporters that the arrests thwarted a Taliban plot to carry out coordinated attacks across the city.

His spokesman alleged the nine men were detained after suicide-bomb vests, hand grenades, pistols and explosives were found in the hospital run by Emergency.

On Sunday, Mr Strada described the hospital raid as an attempt to suppress "an inconvenient witness" to the conflict's human toll. Forty percent of patients treated for war-inflicted wounds are children under the age of 14, Mr. Strada said. "A war has broken out against a hospital," he added.

What role, if any, North Atlantic Treaty Organization forces played in the arrests was unclear. A NATO spokesman said alliance troops didn't take part in the raid.

Maso Notarianni, an Emergency spokesman, said that when he called one of the detained medical workers, the phone was answered by an English speaker who identified himself as a member of NATO's Afghanistan task force.

The Associated Press reported that video of the raid it had obtained showed British troops accompanying Afghan police, soldiers and government officials to the Emergency Surgery Center for Civilian War Victims, the charity's hospital in Lashkar Gah.

At one point, the video shows a storeroom packed with open boxes that appear to contain bullets, pistols, hand grenades and bags of explosives, according to the Associated Press. A British soldier is heard saying that an explosives-disposal unit is on its way.

Three foreign staff members then are seen sitting on outdoor benches, their identification cards visible but names unclear, the AP reported.

The news agency also quoted the governor's spokesman, Daoud Ahmadi, as saying that the storeroom's supervisor led officials to the three Italian medical workers. He said the six arrested Afghans worked at the hospital as clerks, guards or translators.

Mr. Ahmadi alleged that men planned to launch suicide bombings in Lashkar Gah and then kill Gov. Mangal when he came to visit the wounded at the hospital.

Italy's Foreign Ministry said it was seeking information from officials in Kabul about the situation. "The government reasserts that it is absolutely against any activity that supports, directly or indirectly, terrorism in Afghanistan or anywhere else," the ministry said in a statement. It added that Emergency receives no "direct or indirect" funding from the Italian government.

Emergency has had an often testy relationship with officials in Helmand and other parts of Afghanistan where it runs hospitals over its policy of treating any patients, including suspected Taliban fighters. Emergency was founded in 1994 in Milan to treat civilian victims of war. It has operated in Afghanistan since 1999.

Helmand is a hotspot of Taliban activity and a major focus of efforts by the U.S.-led coalition to beat back the insurgents.

In February, the province was the site of the largest coalition offensive since 2001 when thousands of U.S. Marines and Afghan and British soldiers retook the town of Marjah from the Taliban.

—Habib Zahory in Kabul contributed to this article.

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Kyrgyz leaders contend U.S. enriched regime

By Alan Cullison and Kadyr Toktogulov

BISHKEK, Kyrgyzstan—The new self-installed government here plans to investigate the U.S. military's fuel purchases at its Manas air base, focusing on the ousted president's son and "why the U.S. allowed so much money to go to his personal gain," a top official said Friday.

The accusation about the son of President Kurmanbek Bakiyev could provide fresh complications for the U.S. attempts to maintain the air base outside the Kyrgyz capital, which it has used as a pivotal hub for ferrying troops and supplies into Afghanistan.

Word of the new Kyrgyz leadership's anger over U.S. dealings with the Bakiyev regime on the air base came as a senior U.S. military official said all troop flights were being diverted from Manas to Kuwait for at least the next two days because of security concerns.

The deposed president said in an interview Friday with The Wall Street Journal that his son may have profited from fuel sales at the base, which have in the past been a contentious issue in Kyrgyz politics. But Mr. Bakiyev, speaking by telephone from a southern province away from the capital, said he saw nothing wrong with that because his son "has been in business for a long time."

The Kyrgyz government "had a business-like partnership with the U.S. in many areas, especially on the Manas base," Mr. Bakiyev said. "I think it was necessary for the stability in the region, especially in Afghanistan."

A senior official for the Defense Department agency that oversees such deals, Kathryn Fantasia, said Pentagon contracting laws allow companies connected to foreign leaders and their families to bid and win contracts.

"If the interim administration has questions about operations at Manas, we are willing to discuss any aspect with them," said State Department spokesman P.J. Crowley.


Reuters

Kyrgyz President Kurmanbek Bakiyev in in southern Kyrgyzstan on Sunday

Associated Press

Protesters at a memorial service Sunday in Bangkok surround coffins of demonstrators killed in Saturday's fighting. Rally leaders have vowed to stay in the capital until new elections are called.

Tensions simmer after Thai clashes

Antigovernment demonstrators retake control in parts of Bangkok following violence that left 21 people dead

By James Hookway

BANGKOK—Antigovernment protesters re-established control over parts of Thailand's capital a day after 21 people were killed in the bloodiest political violence here in nearly 20 years, leaving authorities with a dilemma: whether to crack down and risk more bloodshed, or give in to the protesters' demands for immediate elections.

Complicating the impasse is a deeper debate over the role of Thailand's politically powerful military, which appears unwilling to give another chance at power to the supporters of populist leader Thaksin Shinawatra, the man the army ousted in 2006.

Both Red Shirt antigovernment protesters and government officials spent much of Sunday trying to calm tensions after Saturday's violence. At least 21 people were killed—17 civilians, including a Japanese cameraman for the Reuters news agency, and four soldiers—and more than 800 injured as demonstrators fought riot police and soldiers across the city. It wasn't clear who started some of Saturday's incidents, though the worst fighting occurred after authorities positioned large numbers of troops near protest encampments in Bangkok.

Government officials and army leaders said that much of the damage was caused by nonmilitary-issue weapons, and that soldiers fired live rounds into the air. A government spokesman said authorities would investigate how the conflicts Saturday got out of control, and promised to maintain order.

The U.S. State Department urged both sides to show restraint. The violence spilled into the Khao San area of hostels and bars, and several governments issued travel advisories warning their citizens away from Bangkok.

Rally leaders vowed to stay in the capital until Prime Minister Abhisit Vejjajiva calls new elections. Protesters urged Thailand's ailing 82-year-old King Bhumibol Adulyadej to intervene as the havoc threatened to further damage the tourism sector.

"There is no more negotiation. Red Shirts will never negotiate with murderers," one of the rally leaders, Jatuporn Prompan, told protesters on Sunday.

Analysts say the army is being thrust against its will to the forefront of the conflict in Thailand, one of Southeast Asia's linchpin economies and an important part of the global supply chain.

After the military ousted Mr. Thaksin in a coup d'état four years ago, the army-appointed government pushed through a new constitution guaranteeing the army more powers. In December 2008, the military brokered a deal for Thailand's parliament to elect an army-friendly government. Military budgets climbed, while army leaders said they were washing their hands of politics for good. Mr. Thaksin, now 60 years old, fled Thailand to avoid imprisonment following his conviction on a corruption charge in 2008.

Paul Chambers, a Thailand expert at Heidelberg University in Germany, says the military is free to operate outside the control of civilian leaders while pretending it is under the command of a democratic government. In reality, he says, the military has more power now than at any time in recent memory.

The Red Shirts—including Mr. Thaksin's supporters—are pushing back. Angered by the way they say Thailand's army and bureaucratic elites have disenfranchised them, tens of thousands have traveled from rural provinces in recent weeks and have taken over parts of Bangkok. Their rallies have closed shopping malls and choked traffic as they press for new elections and test the army's resolve to hold onto its elevated status.

Army chief Gen. Anupong Paochinda is scheduled to retire Sept. 30. He has indicated he wants his conservative deputy, Gen. Prayuth Chan-ucha, to take over. Neither Gen. Anupong nor Gen. Prayuth could be reached for comment.

Both were key players in the 2006 coup that ousted Mr. Thaksin, and analysts say Gen. Prayuth's promotion would solidify the control of a generation of military leaders who place their loyalty with the king, rather than elected governments. However, a civilian government needs to sign off on Gen. Prayuth's promotion, and many analysts agree that a vote now would bring another pro-Thaksin government to power. A Red Shirt government might not allow the generals behind the 2006 coup to retain power.

Beijing posts a rare trade deficit

By J.R. Wu
And Andrew Batson

BEIJING—China ran its first monthly trade deficit in six years in March, data issued Saturday show, a development that, while likely temporary, was quickly seized on by the nation's commerce ministry to argue against the need to revalue the country's currency.

With imports of commodities surging last month, China swung to a trade deficit of $7.24 billion in March from a surplus of $7.61 billion in February, according to figures issued by China's Customs agency. Overall, imports were up 66% from a year earlier in March, with purchases of crude oil and copper at near-record levels in volume terms.

Chinese officials had said weeks ago that March could well show a rare trade deficit, a development they highlighted to show how China's strong growth has been boosting its purchases from other countries. The cumulative trade surplus for the first quarter of 2010 was down 77% from a year earlier, to $14.49 billion.

The deficit in March mainly came from China's trade with Taiwan, Japan and South Korea, Customs said, while it continued to run surpluses with the U.S. and the European Union. Those big trading partners have been among those arguing that China's practice of keeping the yuan effectively pegged to the U.S. dollar gives its exporters an unfair advantage and contributes to the large trade surpluses.

China's Ministry of Commerce, a vocal defender of exporters and an opponent of any change in the currency regime, argued the latest data show no move is needed.

"The continued improvement in our country's balance of trade has created the conditions for the renminbi's exchange rate to remain basically stable," spokesman Yao Jian said, using the currency's official name. He said the fact that China ran a deficit in March, without any move in its currency, shows that "the deciding factor for the balance of trade is not the exchange rate, but market supply and demand."

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INTERVIEW

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Celestino Corbacho, a former political boss for Spain's ruling Socialist party in Catalonia, was a natural pick for Spanish Prime Minister José Luis Rodríguez Zapatero's government

Toughest job in Spain falls to pragmatic labor minister

Faced with 1 of 5 countrymen out of work, Celestino Corbacho seeks common ground between unions and employers

[Celestino Corbacho]

By Jonathan House
And Daniel de la Puente

MADRID—Celestino Corbacho probably has Europe's toughest policy job outside of Greece. The labor minister for a country with almost every fifth worker out of a job and a ballooning budget deficit, Mr. Corbacho is locked in a struggle with employers and unions to prevent Spain from slipping into a fiscal spiral that could land it with a crisis on the scale of Greece's.

Two years ago, Mr. Corbacho was a political boss for Spain's ruling Socialist party in Catalonia, where he had won re-election several times as mayor of Hospitalet de Llobregat, the region's second-largest city. That made him a natural pick for Spanish Prime Minister Jose Luis Rodriguez Zapatero; traditionally, Spain's socialist prime ministers are expected to fill a number of prominent positions from Catalonia, which delivers a lot of the Socialists' votes.

Now Mr. Corbacho oversees the government's response to a black hole in the labor market, which by bloating the national deficit threatens to bring more ratings downgrades on Spanish debt.

His headquarters lie in a monolithic, granite building in downtown Madrid that houses several ministries. The structure, like many of the institutions he is trying to reform, dates back to the dictatorship of Francisco Franco, when Spain was largely isolated from the global economy and most jobs were for life.

Following the collapse of a decade-long construction boom, Spain's unemployment rate is 19%—and 35% for 20-to-24 year olds. The €30 billion ($40 billion) earmarked for unemployment benefits dwarfs nearly all other expenses in the government's 2010 budget.

This week, the 60-year-old politician will present unions and employers with measures to reduce Europe's highest unemployment rate. He expects to close a deal by the end of the month.

"We realize the current environment of tough economic conditions, deep crisis and high unemployment sometimes doesn't help the negotiations...but we think conditions are right to reach an agreement in the end," Mr. Corbacho said in an interview.

For the Socialist-led government of Prime Minister Jose Luis Rodriguez Zapatero, it is crunch time for labor-market reform. Ratings companies and even Spain's own central bank warn about the need to reduce costs associated with hiring and firing, measures the government avoided in order not to alienate its center-left political base and Spain's powerful unions.

While most of Europe has returned to growth, Spain remains mired in recession and saddled with a budget gap that hit 11.2% of gross domestic product in 2009, nearly four times the 3%-of-GDP limit for European Union countries.

The deepening Greek crisis—where investor concerns about that country's finances have pushed it to verge of default—has helped focus minds in other fiscally strained countries on the task of deficit reduction.

Mr. Corbacho rejects comparisons between Spain and Greece—he says Spain has a more competitive economy and better growth prospects—but admits Greece's problems have served as an impetus for Spanish reform efforts.

"At a time like this, and with the global crisis we are experiencing, everything has an impact," he says. "Our economy is part of the European Union, and as a result, we are all obliged to adopt reforms and policies" for fiscal stability, he adds.

In addition to labor-market reform, the Spanish government has tabled a proposal to move back the retirement age to 67 from the current 65, and detailed revenue raising and spending cut measures to lower its budget deficit to the 3%-of-GDP level required by the EU by 2013.

Bank of Spain governor Miguel Angel Fernandez Ordonez, who has been urging the government to reform the labor market for more than a year, recently said: "If we don't carry out an ambitious labor-market reform, the Spanish economy will enter a tough and complicated period....The impact on public accounts could be very negative, making it difficult to meet [deficit] targets," he said.

And credit-ratings agency Standard & Poor's Corp. has already cast doubt on Spain's deficit-reduction targets. It recently said it expects the deficit to remain over 5% of GDP in 2013, primarily the result of weak economic growth and that an inflexible labor market is one of the main factors behind its low-growth outlook. S&P cut Spain's rating to double-A-plus from the triple-A maximum early last year and has since warned of a further downgrade.

A politician with a calm, serious demeanor, Mr. Corbacho is viewed as a having a more grounded and pragmatic approach to policy making than his predecessor, Jesús Caldera, a prominent Socialist ideologue who now runs a think tank linked to the party.

Mr. Corbacho said new plans include Germany-style subsidies for distressed companies that decide to reduce working hours rather than employee numbers. He foresees a more focused system of cash incentives for new hires, one that would aim to benefit the young and the long-term unemployed. But more importantly, he will also examine ways to lower high dismissal costs, something that unions have traditionally opposed but that economists say is necessary to encourage hiring.

Spain has some of Europe's highest employment protections for workers with permanent contracts—including the provision of redundancy pay equal to as much as 45 days' pay per year of service—making companies cautious to take on new hires.

Temporary contracts, with lower dismissal costs, were created to encourage hiring but their short duration—typically three months—doesn't encourage employee productivity.

"Spain has to gradually move away from this dual model," Mr. Corbacho said. To do so, government, employers and unions are discussing ways to encourage more hiring on permanent contracts by, for example, encouraging wider use of a contract with redundancy pay equal to 33 days pay per year but currently limited to certain age groups.