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THE JOURNAL REPORT

Key differences emerge in the U.K. election

NEWS 2 & 4

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Greek bond yields tumble

BY CHARLES FORELLE AND GREGORY ZUCKERMAN

Investors greeted details of a Greek bailout by snapping up the country's debt on Monday, sending government-bond yields lower and giving hope that debt-hobbled Greece could get through a crucial treasury-bill auction Tuesday.

Euro-zone finance ministers said on Sunday that their countries are prepared to extend Greece up to €30 billion

(\$40.49 billion) in loans this year at about 5% interest, if the country can't get financing from capital markets. That would be coupled with an International Monetary Fund package of as much as €15 billion, at substantially lower rates.

Greece faces a crucial week: The country is auctioning €1.2 billion in new treasury bills Tuesday to help pay more than €2 billion of short-term debt that is coming due. Investors are expected to

charge Greece substantially more than what it paid at its last bill auction in January. How much more will be a key gauge of demand.

Late Monday in Europe, Greek 10-year bonds were yielding 6.7%, down from 7.2% on Friday. Monday's figure is still about 3.5 percentage points more than ultrasafe Germany pays—but that margin, or spread, was half a percentage point tighter than Friday. Two-year Greek bonds stood at 6.4%, or 5.4 percent-

age points above Germany. That spread was narrower by 0.6 percentage point.

On April 20, Greece must repay an €8.2 billion bond, and €1.6 billion in bills are due three days later. Greek officials say they have enough cash to get through April, but that they'll need more for May; a €8.5 billion bond comes due on May 19. Greek officials are hoping a sale of bonds to U.S. investors in coming weeks will be able to cover that repayment.

Greek officials said on Monday that the government will proceed with a previously announced roadshow to meet with U.S. investors at the end of the month. The country is hoping to raise \$5 billion to \$10 billion.

Greece faces a series of obstacles in winning over U.S. investors, not least its perilous financial state. Many investors remain wary of buying the country's debt, even with the commitment from European nations. Greece also

has largely cut itself off from the hedge fund community, having accused hedge funds of driving up the country's interest rates.

"It was a bold announcement and there was greater specificity" compared with past promises by international bodies to help Greece, said Mohamed El-Erian, co-chief executive of bond giant Pacific Investment Management Co., or Pimco, in Newport Beach, Calif. "But if all

Please turn to page 6

The summit of all fears



China's Hu Jintao and Barack Obama said nothing about nuclear security, the yuan or the Dalai Lama before heading for a private meeting Monday as part of a two-day nuclear summit. Article on page 10

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The Obama administration has been caught flat-footed in Kyrgyzstan. Page 15

Dow tops 11000 in stealth rally

BY E.S. BROWNING

Spurred by optimism about coming quarterly profit reports and a recovering economy, the Dow Jones Industrial Average closed above 11000 again, something it hadn't done since Lehman Brothers' death throes nearly 19 months ago.

Reflecting the stock market's steady, incremental gains of the past few weeks, the Dow rose 8.62 points, or 0.1%, Monday to 11005.97. The Standard & Poor's 500-stock index flirted with its own milestone—1200—before ending at 1196.48, up 0.2%

This year's march higher has been something of a stealth rally. The Dow has risen on 23 of the past 30 trading days, but moved as much as 100 points on only one day, a gain of 103 points

The fall and rise

Dow Jones Industrial Average



on March 23. Investors have been torn between a growing conviction that the recession is over and fears that unemployment, high debt levels and still-troubled housing and lending markets could prevent a normal recovery.

Analysts are expecting to

see first-quarter profits at S&P 500 companies rise 37% compared with a year ago, according to Thomson Reuters data, well above the 7% historical average. The earnings season got its unofficial kick-off after the market closed, when Alcoa reported a \$201 million loss on sales of \$4.89 billion.

"Company by company, things seem to be pretty good and improving, but on the macro level there are still big concerns out there," said John Apruzzese, a partner and portfolio manager at Evercore Wealth Management. "You still have concerns about government debt, unemployment, and issues with the euro and Greece, even though that seems to be partially resolved."

—Peter A. McKay contributed to this article.

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PAGE TWO

As U.K. election nears, battle centers on the size and nature of the state

[Agenda]

By IAIN MARTIN



Gordon Brown has waited a long time to fight a national election as a leader in his own right. And here he is, in his 60th year, doing it for the first time.

A cynic might be tempted to conclude his career for the past two decades has been one long exercise in avoiding just such a confrontation and the risks involved. Innately cautious, in 1994, he stood aside for Tony Blair; in government from 1997 he wanted the leadership of his party but could never quite marshal the resolve to take it; and in Number 10 as prime minister he flunked the chance of an early election in the autumn of 2007 when the polls shifted and the possibility of victory receded.

Finally, the calendar dictates he must face the voters. He has been campaigning for a week. How is he doing so far?

It is fair to say he doesn't seem at his most comfortable out of his natural habitat. In elections, he is used to being back at headquarters banging out press releases taunting Tories, dictating the line to take and hosting news conferences in which he unleashes a blizzard of statistics against his opponents. Now he must visit voters, or some of his supporters, in their homes and make stump speeches at rallies.

He has looked uncomfortable when doing the former but motivated and up for the fight when it comes to the latter.

Yesterday it was time for his biggest speech of the campaign. Mr. Brown unveiled the manifesto on which his party will fight at a strange event, in media terms anyway. The party sought to combine a press conference and



Britain's opposition Conservative Party leader David Cameron

rally. Held in the vast reception area of a new hospital (message: Labour has spent a lot of money on the National Health Service) some of the party faithful hissed and booed journalists who asked Mr. Brown questions. On TV, it looked rather sectarian and confrontational, just the kind of event Tony Blair—always worried how he would look to floating voters—would have vetoed.

And what of the content? Packaged in futuristic rhetoric it was paean to the idea of the benevolent big state. Mr. Brown thinks he has shifted U.K. politics leftward, by making the state a bigger player in the economy and extending welfare, in the shape of tax credits, right up into the heart of the middle classes.

It is fashionable to say there is little difference between the two major parties ... that they have converged on the center-ground and are squabbling over minutiae. That isn't the case. This election is turning into a fight with a philosophical divide running right through it, as it was always going to feature two leaders, Mr. Brown and David Cameron, with such contrasting views of human nature. They are fighting, though sometimes it might not look like it, a battle over the size and nature of the State.

Labour's manifesto is the party's summation of its statist argument. Lord Mandelson, one of the original architects of New Labour, bafflingly called the document "Blair-plus": meaning, one supposes, that it built on Mr. Blair's consumer-driven reforms in education and health. Such a description would be warranted if this manifesto included a wave of market-driven reforms of Britain's vast public sector to increase productivity now that the money has run out. But it doesn't in any meaningful way do this. It seemed more Blair-minus, than Blair-plus.

Under Labour plans, successful state operators will take over failing state operators—a notion that has been around forever without actually happening much. Yet without much more of the market imperative, how is it to be decided what, and who, is failing? It will be more government inspectors working on the basis of targets. What else can it be?

The logic of the market is a quite different proposition. There providers risk going out of business if they don't do what the consumer wants. Self-interest dictates that the failing provider must improve or a rival will arrive to eat his lunch and even close him down. By the end of his period in office, Mr. Blair

understood this must apply in various ways to public services if one wants improvements and better value for money. But he had started too late and been too timid—having been blocked by the more statist Mr. Brown.

The question for those drawing up the Labour manifesto was whether or not they could deal with this messy legacy, and from it create a modern center-left argument about why the state will have to do less (there isn't the money). And how it can make fewer resources work harder. If the answer was in there, I couldn't see it.

The Conservatives get their chance to do better today, when they launch their manifesto in London. Most of the policies will be familiar, with a supply-side revolution in school provision and other devolution of decision making promised. At the core of Mr. Cameron's pitch is the conservative idea that the state must do less for two reasons: because it cannot afford what it is spending right now, and it erodes individual and civil responsibility when it wants to do so much.

Tories say Britain's colossal national debt, on course to hit £1.4 trillion by 2014, settles the argument. They say there has to be a scaling back or the country will sink under the weight of its obligations.

Perhaps, but that assumption is about to be tested on polling day. Voters seem unsure and take fright when told about the debt and likely consequences. Some Conservatives and others wonder whether voters "can handle the truth," in the words of Jack Nicholson in "A Few Good Men."

Mr. Brown thinks he had made Britain a social democratic country that loves a big state and will vote, when it comes to it, to stick where it is. Mr. Cameron begs to differ. With three weeks to go until polling, the central issue remains unresolved.

What's News

■ **A gunman shot and killed a Russian judge in Moscow** as he left home for work. Eduard Chuvashov had sent racially motivated killers to prison and received threats connected to related cases. Police were searching for a man caught on camera. 3

■ **Britain's Labour Party set out a manifesto pitched to the center**, promising not to raise income taxes and pledging changes to the public sector if it wins May elections. 4

■ **ConocoPhillips agreed to sell its stake in a Canadian oil-sands project to China's Sinopec for \$4.65 billion.** 19

■ **Germany's BMW said its car sales rose strongly in March**, driven by demand in emerging markets. 23

■ **Poland's chief prosecutor said an examination of black boxes from the aircraft that crashed, killing the president and 95 others, showed no evidence the pilots were told to land by those on board.** 8

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"Just because I have a fire extinguisher on the wall doesn't mean I'm going to use it."

Germany spokesman **Christoph Steegmans** on the Greek aid package



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17%

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NEWS



Associated Press (2)

Russian paramedics, left, carry a stretcher with the body of Moscow Judge Eduard Chuvashov, pictured at right, who was shot and killed in the stairwell of his apartment building on Monday.

Judge is shot and killed in Moscow

Chuvashov, ambushed as he left home for work, had presided over hate-crime trials and received online threats

By RICHARD BOUDREAUX

MOSCOW—A Russian judge who sent racially motivated killers to prison and received threats related to hate-crime cases was shot and killed Monday as he left home for work.

Investigators said they were looking for a tall, young Slavic man, who they said was an apparent contract killer, caught on a surveillance camera leaving the victim's apartment building in central Moscow. The judge, Eduard Chuvashov, died in a stairwell from bullet wounds to the head and chest. The shooter used a silencer and left no shells, police said.

Pyotr Titov, an official of Russia's highest investigative body, said the killing was probably linked to the judge's professional activity, which also included trials of high-profile corruption defendants. He wouldn't speculate on a motive.

The crime focused attention on Russia's far-right extremist groups and their efforts to fight back against a Kremlin-led crackdown.

President Dmitry Medvedev joined in widespread condemnation

of the shooting.

"Everything will be done so that the organizers and perpetrators of this cynical murder are found and punished," he said.

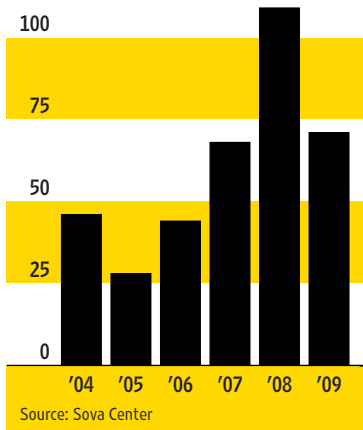
Russia has experienced a surge of racist assaults, xenophobia and neo-Nazism in the generation since the Soviet Union's collapse. Outlawed nationalist groups with members believed to number in the tens of thousands have lashed out at migrants from former Soviet Central Asian republics and Russia's poor North Caucasus region, accusing them of stealing jobs from ethnic Russians.

Authorities began moving aggressively against these groups in 2008, and the number of hate crimes reported in Russia dropped last year for the first time since 2005. Sova Center, a human-rights group that tracks such crimes, counted 71 racially motivated killings last year, down from 110 the year before. Twelve have been reported so far this year.

Galina Kozhevnikova, Sova's deputy director, said the decline has been accompanied by a rise of ultranationalist attacks on human-rights advocates and other antiracist cam-

The Toll of hate

The number of people killed in hate crimes attributed to ultra-nationalist gangs in Russia declined last year amid a government crackdown.



aigners. She counts Judge Chuvashov as a victim of this campaign.

"It is an attempt to scare people who are trying to resist xenophobic aggression in Russia," she said.

Mr. Chuvashov, 47 years old, was a federal judge in the Moscow court system. Anna Usacheva, a court spokeswoman, said he was a "compassionate man" who dealt with difficult criminal cases.

Last year, he presided over the convictions of nine members of a neo-Nazi gang known as the White Wolves in the murders of six immigrants. During the attacks, which were often filmed and posted online, gang members chanted "Russia for Russians!"

As the men awaited sentencing, a written attack against the judge appeared on LiveJournal.com, an Internet site popular in Russia, accompanied by his photograph. In a falsified transcript of the trial, it accused him of advocating the murder of ethnic Russians, drawing dozens of emails, some calling for him to be killed.

The attack appeared on a blog maintained by Alexander Baranovsky, leader of the Russky Obraz ultranationalist group, but he denied writing the post or any other connection with it. On Monday, he told the Associated Press his group had nothing against Mr. Chuvashov.

A few weeks later, Mr. Chuvashov

sentenced the White Wolves defendants to prison terms of up to 23 years.

Last week, he wound up the trial of the Ryno-Skachevsky gang, a band of teenagers who randomly attacked ethnic non-Russians on the streets of Moscow, killing 20. Seven defendants got prison terms ranging from six to 20 years.

Dmitry Agranovsky, a defense lawyer in that trial, said he was shocked by the judge's murder. He said he didn't believe it was linked to the case, which was based on the defendants' confessions.

Russia's latest high-profile killings by ultranationalists occurred in January 2009, when human-rights lawyer Stanislav Markelov and journalist Anastasia Baburova were shot near the Kremlin. Mr. Markelov had represented the mother of an anti-fascist campaigner who said her son was killed by neo-Nazis in 2006.

Nikita Tikhonov, a man with ties to violent nationalist groups, confessed to the double murder in November. He has been charged as the shooter.

—Alyona Molchanova in Moscow contributed to this article.

Iceland pins crisis on 7

A Wall Street Journal Roundup

A report on Iceland's 2008 banking collapse charges that the island nation's former prime minister and its central-bank chief acted with "gross negligence" in failing to prevent the meltdown.

The 2,300-page government-commissioned report released Monday is Iceland's boldest attempt to come to grips with a crisis that turned it from a wealthy paragon to a cash-poor pariah on international markets.

In October 2008, all three of Iceland's big banks—essentially the entire banking system—melted down within days. The banks had grown huge by lending extensively abroad, and when trouble struck, Iceland's government and central bank were unprepared to bail them out.

"The private banks failed, the supervisory system failed, the politics failed, the administration failed, the media failed, and the ideology of an unregulated free market utterly failed," Prime Minister Johanna Sigurdardottir said in a statement after the report was released.

The investigation pointed a finger at seven officials including then-Prime Minister Geir Haarde and then-central-bank chief David Oddsson. "The Commission finds that these seven have demonstrated gross negligence in the discharge of their duties," commission chairman Pall Hreinsson told reporters.

"They had the necessary information, but did not act accordingly, each pointing the finger at the next person," he said.

Mr. Hreinsson said a parliamentary panel would decide whether le-

gal action would be taken against them.

One of the seven, former banking minister Bjorgvin Sigurdsson, said Monday he would resign his post as parliamentary leader of the Social Democratic Alliance, though not his seat in parliament. There was no immediate response from the others.

Mr. Oddsson, who is also a former prime minister, became editor of Iceland's main newspaper, Morgunbladid, after being forced out of the central-bank job. A person answering the phone at the paper said Mr. Oddsson was away and wouldn't return for a week. Mr. Haarde left the prime minister's post to seek cancer treatment.

In one major blunder detailed in the report, central-bank staff forgot to extend a \$500 million loan agree-



The Eyjafjallajokull volcano, seen above in March, provided Iceland with a rare piece of economic good news, bringing 26,000 visitors from overseas in March. However, scientists said Monday the volcano was winding down.

ment, reached in March 2008, with the Bank for International Settlements in Basel. A belated attempt to receive an extension wasn't granted.

That was a key error at a time when few things were more important than building up Iceland's foreign-currency reserves.

EUROPE NEWS

Labour's pledge: no income tax rise

U.K. Prime Minister Brown launches his party's manifesto for the general election with a sweetener

BY LAURENCE NORMAN
AND ALISTAIR MACDONALD

LONDON—British Prime Minister Gordon Brown's Labour Party set out a manifesto Monday pitched to the center, promising not to raise income taxes and pledging broad changes to the public sector if it



wins the May 6 election.

In what would be its fourth term in government, the party also said it was sticking by its pledge to at least halve the budget deficit over the next four years.

On Tuesday the Conservative Party will reply with its manifesto, entitled "An invitation to join the government." The 150-page book will underline leader David Cameron's emphasis on a "big society" founded on greater community action and will include promises to recall incompetent MPs, put in provisions to have police chiefs elected by the public and veto local-tax rises, a person familiar with it said.

"My invitation today is this: join us, to form a new kind of government for Britain," Mr. Cameron will say in the foreword.

Also on Tuesday the Liberal Democrat Party will announce a five-point plan to "deal with the ex-



British Prime Minister Gordon Brown launches the Labour Party's election manifesto in Birmingham on Monday.

cesses" of bonuses, including a regulation to stop any loss-making bank from paying discretionary bonuses, a spokesman said.

Labour has consistently trailed the opposition Conservative Party in opinion polls, although surveys continue to suggest Mr. Cameron's center-right party could struggle to get a parliamentary majority.

"We will continue to support the economy while growth is still fragile, sticking with our targeted increase in public spending over the next year to sustain the recovery," Mr. Brown said. "Once the recovery is secure, we will rapidly reduce the budget deficit." With the U.K. con-

fronting a large budget deficit, Labour steered clear of a string of expensive promises. Indeed, most of the pledges in Monday's document repeated promises already made since the party took power in 1997.

Labour pledged not to raise the basic, higher and new top rates of income tax in the next parliament, which could last until 2015. It left the door open to raising the VAT rate of 17.5% on some goods—although Mr. Brown said he had no plans to do so. It also promised not to scrap the VAT exemptions on food, children's clothes and books.

Facing a tough election battle, Labour also pledged to keep the

Bank of England's inflation target at 2%, to act to ensure greater competition in the banking sector, and to raise the threshold for company takeovers as part of a series of proposals to toughen U.K. rules.

The manifesto also said a future Labour government would look at a number of other corporate governance changes, including limiting votes to those on the shareholders' register before any bid was made.

Labour called for more disclosure of who owns shares and a requirement for bidders to set out how they will finance any takeover and to be more transparent about their long-term plans for the firms.

Following the controversial takeover of Cadbury PLC (CDSCY) by Kraft Foods Inc (KFT), the manifesto included a promise to give the government a veto on takeovers of U.K. utilities and infrastructure firms. It also promised to raise the majority needed for takeovers from 50% to 66%. The U.K.'s Takeover Panel is currently reviewing the rules.

The government is not against foreign takeovers of U.K. companies, Chancellor of the Exchequer Alistair Darling said late Monday.

Speaking to Sky Television News, Mr. Darling said "I am not against inward investment, far from it. Indeed, this country is one of the major destinations in the world for foreign investment. That creates jobs in this country."

The manifesto said Labour would "encourage" nationalized lender Northern Rock, which the government had to bail out in the 2007, to become a building society rather than a bank when it sells off its stake. But this would depend on ensuring the best possible deal for the taxpayer.

And in an effort to show the government still had reformist zeal, Mr. Brown's party pledged a shake-up in the delivery of public services including greater autonomy for schools and plans to allow successful parts of the public sector to take over from underperforming sections of the state bureaucracy.

—Joe Parkinson contributed to this article.

■ You have been warned: Heard on the Street 36

Belfast bomb targets MI5

BY GUY CHAZAN

The car bomb that exploded outside a barracks near Belfast in the early hours of Monday underlined the challenges facing Northern Ireland's coalition government as it takes control of justice and policing from London.

The attack—timed to coincide with the transfer of responsibility for Northern Ireland's criminal-justice system to Belfast from London at midnight—shows the increasing capability of dissident Republicans to disrupt life in the province.

The attack came hours before lawmakers in Northern Ireland elected David Ford, a member of the Alliance Party, which draws support from both the Protestant and Catholic communities, as the province's new justice minister. It is the first time in 38 years that a Northern Ireland government has had its own justice ministry.

Police said three armed men hijacked a taxi in north Belfast late Sunday night, held the driver at gunpoint in his home for two hours, then ordered him to take the bomb in his cab to Palace Barracks, which houses the Northern Ireland branch of MI5, the U.K. domestic intelligence agency.

The driver abandoned his cab at the rear of the barracks, in Holywood, a Belfast suburb, and the bomb exploded shortly after midnight as security staff were evacuating the area, police said. One elderly man sustained minor injuries.



Debris from Monday's bombing litters the gateway of Palace Barracks in Belfast.

"There's no question about why the target was chosen or its timing," said Peter Robinson, Northern Ireland's First Minister. "It's an attempt to intimidate assembly members as they meet today to move forward on policing and justice."

The Real IRA, a dissident republican group, claimed responsibility for the attack. The group has been waging an armed campaign partly aimed at driving a wedge between those parties in the power-sharing government that support British rule, principally the Democratic

Unionist Party, and Sinn Fein, the mainstream Republican party that seeks union with Ireland.

The Real IRA, which is opposed to the peace process, regards Sinn Fein's participation in the coalition government as a sellout.

"It'll be an important test for the new justice minister and his department to see whether they can deal with this violence," said Danny Kennedy, deputy leader of the Ulster Unionist Party. He said dissidents "seem to be increasing their capability to carry out these attacks."

House-price growth slows ahead of vote

BY NICHOLAS WINNING
AND ILONA BILLINGTON

LONDON—U.K. retail sales posted their strongest year-on-year gain for almost four years in March, but the rise in house prices slowed further as more vendors put their homes up for sale, surveys showed Tuesday.

The British Retail Consortium said total sales values—which include new stores—jumped 6.6% on the year in March after increasing 4.5% in February, marking the sharpest rise since April 2006. Same-store sales were 4.4% higher than in March last year, following a 2.2% annual gain in February.

"Food sales received a big boost from Easter falling a week earlier than last year, with the first half of the Bank Holiday weekend reflected in these March results," said Stephen Robertson, director-general of the BRC.

However, sales of women's clothing and footwear suffered in March due to the ongoing cold weather and comparison with March last year when warmer weather boosted clothing sales.

"Without this (Easter) uplift a gloomier picture would have emerged—concern about the future continues to weigh on consumers' minds and the outlook for spending remains uncertain," said Helen Dick-

inson, head of retail at KPMG who helps compile the BRC survey.

A separate survey by Lloyds TSB also released Tuesday showed U.K. firms are more upbeat about their business prospects than they have been for more than two years, but less optimistic about the economy than they were at the start of 2010.

"Given that optimism does seem to be returning, we can expect the recovery to continue throughout the first half of the year at least," said Trevor Williams, chief economist at Lloyds TSB Corporate Markets.

The looming election may be a factor in the U.K. housing market. The Royal Institution of Chartered Surveyors said the rise in house prices had moderated further in March as more vendors put their homes up for sale amid growing uncertainty about the political direction of the country after the vote.

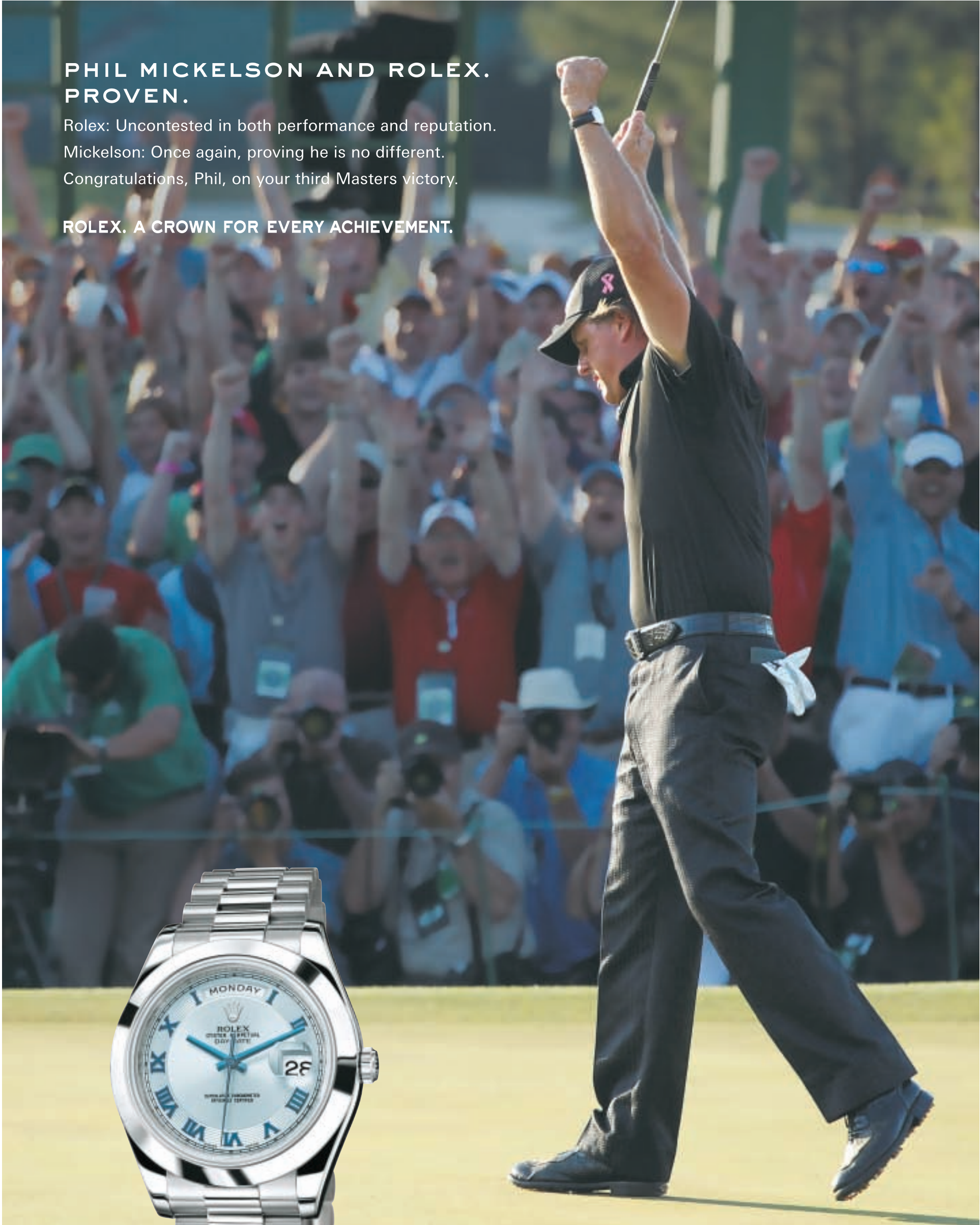
The RICS headline price balance, calculated by subtracting the percentage of surveyors reporting falling prices over the previous three months from those reporting rising prices, fell for the fourth consecutive month to +9 in March from +18 in February, the lowest level since July last year. Economists were expecting a rise to +20.

"For the time being, many of the key housing market indicators are still positive or stable," said Ian Perry, a RICS spokesman.

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OYSTER PERPETUAL DAY-DATE II
IN PLATINUM

EUROPE NEWS

Trichet's voice unheeded in turmoil

ECB chief, the euro's guardian, appears out of step with governments as a potential Greece bailout is shaped

BY BRIAN BLACKSTONE

FRANKFURT—Jean-Claude Trichet, an architect of European monetary union and guardian of the euro, has found himself in an unfamiliar place as Europe confronts its biggest fiscal crisis in decades: the sidelines.

As Europe struggled to cope with Greece's debt crisis in recent weeks, culminating in Sunday's agreement on a potential aid package, Mr. Trichet's efforts to shape the response largely failed.

On key issues, ranging from his opposition to International Monetary Fund involvement in a bailout to his call for governments to speak with a unified voice, Mr. Trichet appeared out of sync with euro-zone capitals, and his advice often went unheeded.

"The problem now is he's in charge of an institution which is supposed to be the guardian of the euro, but a lot of the decisions that are going to affect the future of the single currency are out of his hands," says Philip Whyte, senior research fellow at the Centre for European Reform, a pro-European think tank based in London.

Mr. Trichet's lack of influence over the response to a crisis so central to the stability of the euro and Europe's economic future could weaken the office of ECB president and prompt questions about the ECB's ability to effectively respond to future flareups, analysts say.

Many countries in the euro zone are still feeling the economic pain of the recession and politicians, especially in Germany, proved reluctant to follow Mr. Trichet's calls for a swift and decisive response to the debt crisis, a step that would have entailed sending billions in taxpayer money to Athens. That prospect has eroded popular support for the EU and the common currency in places like Germany and exposed the continued deep divisions in Europe between advocates of closer economic and political integration—a camp broadly associated with institutions



ECB President Jean-Claude Trichet, left, leaves the EU Council building in Brussels with other European leaders ahead of a February meeting on aid for Greece.

like the ECB—and those who believe individual member states should preserve their sovereignty.

Some analysts say that instead of weakening Mr. Trichet and the ECB, the Greek crisis has clarified their role in Europe's financial infrastructure. The Greece crisis "rights an incorrect perception" about the powers of the ECB, says David Marsh, author of "The Euro," a 2009 book about the creation of the euro. "At the end of the day, it's appropriate that there should be a balance of responsibilities and actions between governments and the ECB," Mr. Marsh says.

Mr. Trichet's current difficulties may be a cautionary lesson for his successor when his term expires in October 2011 to focus on monetary policy without getting drawn into other policy matters over which the ECB has no control.

Yet others say the crisis showed Mr. Trichet's voice to have almost no resonance with euro-zone countries, a potentially precarious position for a policy maker with such a key role.

In contrast to the ECB, the U.S. Federal Reserve has seen its influence grow in the aftermath of the financial crisis, economists say. Fed Chairman Ben Bernanke gets his share of criticism, but his views on the economy, regulation and fiscal policy carry substantial weight with policymakers, elected officials and the public at large. That image gap could put more pressure on the value of the euro.

"The ECB has an outstanding reputation, but the governments have pretty much ignored it and then dragged it along, and you lose faith in euro-zone policymaking if what looks like the strongest insti-

tution is marginalized," says Marco Annunziata, chief economist at UniCredit Group.

The Greece turmoil may cloud what would otherwise be a victory lap of sorts for Mr. Trichet. Besides navigating the euro through its early tumultuous years at the Bank of France and ECB, he earned praise from many economists for keeping inflation low and for his handling of the global financial crisis.

Mr. Trichet wears his occasional defiance of euro-zone governments as a badge of honor, noting that ECB officials raised interest rates at the end of 2005 despite 10 of 12 euro zone governments asking them not to do so.

But the tables have turned. Political leaders, particularly German Chancellor Angela Merkel, largely ignored Mr. Trichet's recommendation last month that governments

craft a European solution for Greece without financial involvement from the IMF, which he said wouldn't be "appropriate."

The ECB president participated in a teleconference with euro-zone finance ministers about the deal on Sunday but didn't have a vote on the decision to approve the package. Mr. Trichet gathered reporters on the sidelines of an ECB conference Monday to proclaim the steps taken Sunday "positive."

The agreement involves extending Greece €30 billion in loans, should it need the money, at roughly a 5% interest rate for three-year maturities. Greece may also borrow an additional €15 billion from the IMF.

"I had constantly called, on behalf of the ECB's Governing Council, for all authorities and institutions to be up to their responsibilities," he said.

Greek bonds gain following news of aid package

Continued from first page that we know is what we know today Pimco would be on the sidelines."

Pimco and others could change their minds and participate in the bond deals. But the tepid response of some large investors suggests that Greece might have to focus on

enticing investors more willing to embrace riskier investments with higher payoffs, such as hedge funds.

However, the country has spent weeks blaming these investors, who can be more short-term in orientation, for exacerbating its problems. That could make it harder to attract these investors to any bond deal.

"Greece has made it clear they don't want speculators and they banned them from participating in the auctions," said Axel Merk, president and chief investment officer of the Merk Mutual Funds. "But it's the speculators Greece needs to buy speculative paper—while a crisis may have been averted for Greece, their paper is still speculative."

The hesitance from investors, and the daunting repayment gauntlet, make it more likely that Greece will have to take a bailout soon.

But Germany—reluctant to write a check to its free-spending peer—did its best to tamp down expectations that one was imminent. "Just because I have a fire extin-

guisher on the wall doesn't mean I'm going to use it," government spokesman Christoph Steegmans said Monday.

His comments helped restrain the euro, which had risen sharply Monday morning but then fell back somewhat, and late Monday stood at \$1.3584, up from \$1.3495 late Friday.

Germany did its best to tamp down expectations that a bailout was imminent.

Germany would be the largest contributor to the euro-zone bailout. Olli Rehn, the EU's economics commissioner, said the €30 billion pot would be divided up on the basis of each country's share in the European Central Bank, which is determined by economic size and population.

Germany's piece is 28%, or €8.4 billion. France would put up €6.3 billion, Italy €5.5 billion and Spain—itsself struggling with a wide budget gap—€3.67 billion.

Still unclear is precisely what would trigger aid to Greece. German officials have insisted that Greek must try and fail to auction debt on capital markets before it could access the EU funds.

Representatives from the European Commission, the ECB and the Greek government were in closed-door meetings in Brussels on Monday with representatives from the IMF, trying to iron out more details. They weren't expected to emerge with any decisions.

The timing of financial help and the means euro-zone countries will use to raise funds are also an issue. Some states likely will have to have parliamentary approval before they can lend money to Greece, possibly slowing any decision to provide aid. —Patrick McGroarty, Adam Cohen and Alkman Granitsas contributed to this article.

The burden of a bailout

Contribution of euro-zone countries to the European Central Bank, as a percentage of the total contributions, excluding Greece's contribution

Germany	28%
France	20.1
Italy	18
Spain	12
Netherlands	5.9
Belgium	3.6
Austria	2.9
Portugal	2.6
Finland	1.9
Ireland	1.6
Slovakia	1.0
Other*	1.9

*Slovenia (0.5), Luxembourg (0.3), Cyprus (0.2), Malta (0.1)
Note: figures don't add up to 100 due to rounding
Source: BNP Paribas

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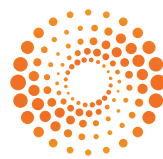
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EUROPE NEWS

Crash probe focuses on human error

Polish, Russian officials in effect rule out technical flaw in airplane disaster in which president, others perished

BY MARC CHAMPION
AND MARCIN SOBczyk

WARSAW—Poland's chief prosecutor said an initial examination of black boxes from the aircraft that crashed over the weekend, killing the Polish president and dozens of the country's top officials, showed no evidence that passengers instructed the pilots to land.

The remarks by Poland's Prosecutor General Andrzej Seremet at a news conference Monday countered widespread speculation in Poland and Russia that Polish President Lech Kaczynski might have ordered the pilots to land in heavy fog.

Investigators appeared increasingly focused on pilot error as the likely cause of the crash. Polish and Russian officials both effectively ruled out technical error in the Russian-built Tupolev-154. Ninety-six people died in Saturday's accident, including the entire high command of the Polish military, Poland's central bank governor and national-security chief, and Mr. Kaczynski and his wife, Maria.

"Weather conditions were as bad as they could get. We don't know what the human factor was," said Defense Minister Bogdan Klich, speaking on Poland TVN24 television. "For the time being we can only say that the risk there's been any technical fault at the plane is close to zero."

Language barriers may have contributed to the crash, it emerged Monday. One of the controllers at the airfield said in a verbatim interview published in Russian daily Komsomolskaya Pravda that the pilots and controllers had trouble communicating in a mix of broken



Crowds gather Monday before the presidential palace in Warsaw to mourn officials who died in Saturday's plane crash.

English—the global standard for air-traffic controllers—and broken Russian.

The lack of an obvious cause of the crash has fueled speculation, including from former Polish President Lech Walesa, that the pilots may have come under pressure to land from President Kaczynski.

In August 2008, during the war between Russia and Georgia, Mr. Kaczynski gave orders to the military pilot flying the presidential airplane to land in the Georgian capital Tbilisi, according to reporters who were on the plane. The pilot re-

fused, citing safety reasons and landed in Azerbaijan, forcing the president to travel to Georgia in a motorcade.

The Polish president later told reporters that he would "put things in order regarding this matter" after his return home and said of the pilot that "an officer should be less fearful."

Mr. Kaczynski's Law and Justice Party demanded the pilot should be prosecuted for refusal to follow orders, but no charges were pressed. Defense Minister Klich—who is from a rival political party—instead deco-

rated the pilot for his contribution to Poland's security.

Asked whether the pilot had come under pressure when deciding to land on Saturday, Mr. Seremet said Monday: "At the current stage of the investigation, there's no such information."

Mr. Seremet said specialists would examine background noise on recordings obtained from flight recorders to check for any traces of conversations that might change that initial conclusion. He confirmed that the control tower had discouraged the pilots from landing due to

the density of the fog at Smolensk airport at the time.

According to Aviakor, the Russian company that overhauled the Polish plane in December, the Tupolev was equipped with an electronic system that should have warned the pilots the plane was dangerously low. The system may not have been the most current standard, which would have given the crew more time to react.

Bulgaria said Monday it was grounding its presidential Tupolev-154, pending the outcome of the Polish-Russian crash investigation.

"The readings (from the black box) confirm that there were no problems with the plane," said Alexander Bastrykin, head of Russia's Investigative Committee, during a briefing with Russian Prime Minister Vladimir Putin in Smolensk on Sunday.

In the Komsomolskaya Pravda interview, retired Russian Col. Anatoly Muravyov said he was part of the air-traffic control crew at the Smolensk air strip last Saturday.

"The chief controller warned that the weather was bad. But the crew started descending without permission," Col. Muravyov said, according to the interview. "The conversations were initially calm, while the plane was on course. But the crew didn't give reports, although it was supposed to."

Russian officials have said the pilots were told to divert to Minsk or Moscow.

Poland on Monday continued mourning the late president and his delegation.

—Gregory L. White in Moscow and Daniel Michaels in New York contributed to this article.

Vatican seeks to clarify sex-abuse rules

BY STACY MEICHTRY

ROME—In a push to quell criticism of Pope Benedict XVI's handling of the sex-abuse crisis, the Vatican on Monday issued an "introductory guide" to clarify church rules that require bishops to investigate allegations of sexual abuse by priests, to comply with civil laws in reporting such allegations and to notify the Vatican of any findings.

The guide, which was posted on the Vatican's Web site on Monday, notes that local bishops are required to investigate "every allegation of sexual abuse of a minor by a cleric" and to report allegations that have "a semblance of truth" to the Vatican's main office for disciplining priests, the Congregation for the Doctrine of the Faith.

Nothing in the guide departs from previous Vatican policy or rules. It is rather an attempt by the Vatican to clarify how its rules are implemented and seeks to defuse criticism that the Vatican maintains a veil of secrecy over how it handles sex-abuse cases.

Much of the guide is based on canon law and the 2001 overhaul of the Vatican's sexual-abuse rules that was spearheaded by Benedict XVI when, as Cardinal Joseph Ratzinger, he was head of the Congregation for the Doctrine of the Faith. Although the 2001 procedures have been in the public domain for years, they



Pope Benedict gestures during Sunday prayer at the papal residence near Rome.

were initially written for use by bishops and canon lawyers. The new document, the Vatican said, serves as an "introductory guide which may be helpful to lay persons and non-canonists."

Over the past month, critics have accused the Vatican of foot-dragging in handling decades-old cases of sexual abuse by priests. In some cases, the Vatican took years to defrock priests as cases wound their way through the church's appeals process. Vatican officials, however, say that the 2001 overhaul made church sexual-abuse trials faster.

During the preliminary stage of

an investigation, bishops can impose "precautionary measures" to safeguard their diocese against sexually abusive priests, the guide states.

A draft version of the guide, reviewed by The Wall Street Journal, didn't spell out what kinds of precautionary measures bishops should take to protect children from abusive priests, nor did it explain whether bishops are expected to immediately report abuse allegations to civil authorities. But the version posted on the Vatican Web site Monday noted that a bishop can restrict "the activities of any priest in his dioceses."

"This is part of [a bishop's] ordinary authority, which he is encouraged to exercise to whatever extent is necessary to assure that children do not come to harm," the guide said. The Vatican guide also noted that bishops are "always" required to follow civil law in reporting sexual-abuse allegations to law-enforcement authorities.

Once a bishop reports an abuse case to the Congregation for the Doctrine of the Faith, the Vatican can instruct the bishop to prosecute the alleged abuser in a local church tribunal, according to the guide. In such cases, the Congregation for the Doctrine of the Faith serves as an appellate court before a potential defrocking is carried out.

The Congregation for the Doctrine of the Faith is also empowered to dispense with a church trial and refer a case directly to the pope for defrocking "in very grave cases where a civil criminal trial has found the cleric guilty of sexual abuse of minors or where the evidence is overwhelming," according to the guide.

The Congregation for the Doctrine of the Faith can also bring cases directly to the pope when priests are "cognizant of their crimes" and request dismissal from the priesthood, the guide says.

The guide is unlikely to curb anger among some abuse victims who say the Vatican rules are toothless.

Dubai convicts 2 men in death of a Chechen

Associated Press

DUBAI, United Arab Emirates—A Dubai court convicted two men Monday for their role in the assassination of a former Chechen warlord last year and sentenced each to 25 years in prison.

The two men, an Iranian and a Tajik, were each handed life sentences after being found guilty of aiding and abetting the assassination of Sulim Yamadayev. A life term is limited to 25 years under local law. The men will be deported after serving their sentences.

State news agency WAM identified the Iranian defendant as Mahdi Tagi Dhurnia and the Tajik national as Mahsoudjan Asmanov. Four other suspects are believed to have fled the United Arab Emirates.

The Chechen's killing in a beach-front parking lot in March 2009 stunned Dubai authorities as the first major political assassination in the Gulf city-state. It came just months after another contract killing, of Lebanese pop star Suzanne Tamim, in a luxury high-rise apartment in the emirate.

Mr. Yamadayev was a former Chechen warlord who switched sides in the conflicts between Chechen rebels and the Russian government.

U.S. NEWS



Sandy Huffaker for The Wall Street Journal

Charissa Kolich, shown Friday in San Diego, lost her condo to foreclosure but owes nearly \$72,000 on a second mortgage.

Debt after foreclosure

Second mortgages still vex former homeowners; banks urged to ease up

BY JAMES R. HAGERTY

After losing her condo in San Diego to foreclosure last year, Charissa Kolich thought that at least she was free of mortgage bills.

But Wells Fargo & Co., which holds a home-equity loan made five years ago to Ms. Kolich, last month filed a lawsuit against her in the Superior Court of California, San Diego County, seeking to collect the nearly \$72,000 it said she still owed on that second mortgage. "This was all kind of a shock," says Ms. Kolich, a food-service administrator recently diagnosed with inoperable brain cancer.

Banks are coming under increasing political pressure to write off or at least write down second-lien and other junior mortgages as a way to help borrowers keep their homes or extract themselves from heavy debt. As the Wells Fargo suit shows, however, banks often are reluctant to give up on loans when they see a chance of recovering all or part of their money.

This issue will be the focus of a hearing Tuesday by the House Financial Services Committee in Washington. Panel members are due to quiz executives from Wells Fargo, Bank of America Corp., Citigroup Inc. and J.P. Morgan Chase & Co. about their junior-lien mortgage policies.

Why do junior-lien mortgages matter? The \$1 trillion of junior-lien mortgages outstanding in the U.S. at the end of 2009 added up to only about 10% of total home-mortgage debt, according to Federal Reserve data. But many banks have large holdings of these junior liens. Among borrowers whose first mortgages were packaged into so-called private-label securities (those not backed by any government entity), about half also have junior-lien loans, according to mortgage-bond trader Amherst Securities.

Those junior liens now represent one of the trickiest obstacles to efforts to get distressed borrowers back on their feet. Borrowers who negotiated lower payments on their first mortgages often find they are overwhelmed by payments on sec-

Worth fighting over?

Home-equity loans* held at end of 2009, in billions.

Bank of America	\$149
Wells Fargo	115
J.P. Morgan Chase	101

*Mostly second liens
Source: the banks

ond mortgages and other debts.

The owners of first-lien mortgages (mostly investors in mortgage securities) are reluctant to reduce payments or cut principal for troubled borrowers unless holders of the junior liens (mostly banks) also take a hit. But banks, struggling to rebuild their capital, don't want to write off any more junior liens than they must.

Many junior liens lack collateral backing because home values have fallen below the amount owed on just the first mortgage. "Large numbers of these second liens have no real economic value," Barney Frank, a Massachusetts Democrat who is chairman of the House Financial Services Committee, said in a recent letter to the big banks. He added: "I urge you in the strongest possible terms to take immediate steps to write down these second mortgages."

But many people who have fallen behind on their first mortgages are still making payments on their junior liens, and banks say they shouldn't have to write down loans that are performing.

Even in cases where a foreclosure or related action has turned a junior-lien mortgage into an unsecured loan, lenders may still be able to collect, though state laws vary on this point. Leo Stawiariski Jr., a lawyer in Englewood, Colo., who advises banks, says they should assess each borrower's ability to repay any second mortgage after a foreclosure.

For borrowers who have sufficient income or other assets, or are likely to have the means in the future,

banks should try to negotiate a settlement involving at least partial repayment, he says. If borrowers refuse to cooperate, lenders in some cases can garnish their wages or other assets.

Mr. Stawiariski believes banks should, and eventually will, become more aggressive in pursuing these claims. "I think lenders are really leaving a lot of money on the table."

Representatives of J.P. Morgan Chase and Citigroup declined to comment on their junior-lien collection policies. A spokeswoman for Bank of America said that if efforts to avoid a foreclosure failed, "then we do reserve the right to recover the unpaid balance on the second lien if permissible by state law. However, our practice has been to only to pursue recovery in situations where we believe the customer has sufficient nonretirement assets to satisfy their debt obligation."

In response to questions about the suit Wells Fargo filed against Ms. Kolich, a Wells spokeswoman said: "We consider customer hardships on a case-by-case basis and we would welcome a call from the customer to discuss settlement options." Alleda Harrison, a lawyer for Ms. Kolich, said Wells ignored past requests for talks on a settlement. The original purchase of Ms. Kolich's condo was financed by a first and second mortgage in 2004, Ms. Harrison said, and Ms. Kolich refinanced that second mortgage in 2005 to lower the rate but didn't take any cash out.

Meanwhile, the Obama administration is prodding banks to find solutions for more borrowers struggling with junior-lien debts.

The government is offering incentive payments for second-lien holders to forgive debts for borrowers who avert foreclosure by selling their homes for less than the debt owed or turning the deed over to the lender. Under that program, the holder of the second lien can be paid, partly by the government, as much as 6% of the outstanding loan balance, up to a maximum of \$6,000, but in return must renounce efforts to collect anything more from the borrower.

End of recession still up for debate

BY SUDEEP REDDY AND JUSTIN LAHART

The committee of academic economists that dates the beginning and end of recessions in the U.S. said Monday that it wasn't ready to put an end date on the recession that started in December 2007.

The National Bureau of Economic Research's Business Cycle Dating Committee said, "Although most indicators have turned up, the committee decided that the determination of the trough date on the basis of current data would be premature."

Government and private forecasters rely on the seven-member panel's determinations to mark the start and end of recessions for historical purposes.

The committee, which defines a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months," uses a handful of economic gauges including gross domestic product, employment and income to mark the beginning and end of recessions.

Several committee members have said publicly since last summer that they believed the recession had ended sometime in mid-2009 when the economy stopped contracting. Because economic data can be revised, however, the panel generally waits six to 18 months after a turning point in the economy before making an announcement. It didn't officially declare until July 2003 that the 2001 recession, which ran from March to November of that year, was over.

The committee met Thursday at the nonprofit, nonpartisan research group's headquarters in Cambridge, Mass.

It said in its statement that the panel's members reviewed the latest data to determine a trough in the downturn that it previously marked as starting in December 2007. But the group decided it was still too early to mark with certainty the final month of the recession.

"Many indicators are quite preliminary at this time and will be revised in coming months," the statement said. "The committee acts only on the basis of actual indicators and does not rely on forecasts in making its determination of the dates of peaks and troughs in economic activity."

The latest sign of recovery in the job market—the Labor Department reported earlier this month that the economy added 162,000 nonfarm jobs in March—renewed talk on the committee about marking the recession's endpoint. The panel relied heavily on job figures to mark the peak of the prior business cycle—which is the onset of the recession—as December 2007. That was the final month of payroll gains before a long downturn in the labor market.

Robert Hall, a Stanford University economist who leads the NBER committee, said before the group's Monday announcement that he personally had been "waiting to see the employment numbers start rising. That definitely makes me think that we have turned the corner."

But the group takes a deliberate approach to its announcements to ensure it never needs to change a date later because of revised data or a turn in the economy, he said. "The committee is very careful to guard against surprises," he said.

Gross domestic product—the total output of U.S. goods and service—began growing again in mid-2009. One committee concern, however: As of the fourth quarter, GDP was 2% below the peak registered in 2008, adjusting for inflation.

Other indicators also remain below pre-recession levels. That likely would mean that if the economy turned down, the committee would consider that a continuation of the recession that began in December 2007 rather than a new recession.

The chances of something derailing the recovery seem slim but are within the realm of possibility, making a decision to declare the recession over thornier, said Jeffrey Frankel, a Harvard economist who serves on the committee.

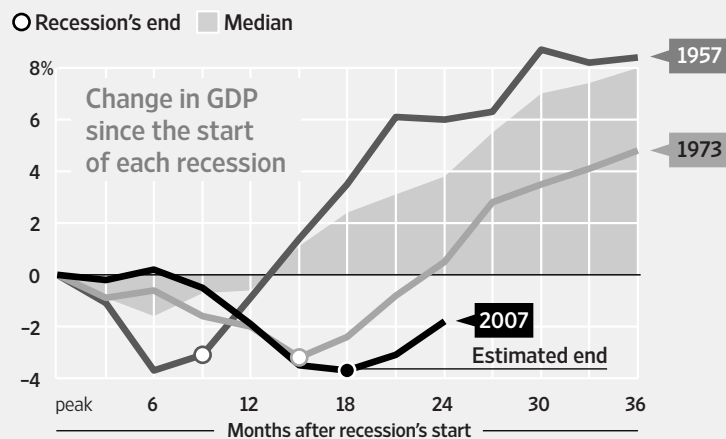
"For me it's been very likely ever since last year that we would end up calling a trough sometime in the middle of 2009," Mr. Frankel said.

Martin Feldstein, another Harvard economist on the committee, said last month that there was a "significant risk" of the economy returning to recession.

If the latest recession is ultimately marked as ending in mid-2009, it would go on record as the longest since the 43-month downturn in the early 1930s. The recessions of 1973-75 and 1981-82 each ran 16 months.

Plumbing the depths

How the U.S. recession that began in 2007 compares with some of the worst recessions since World War II, and with the median trend.*



*Not a specific, individual recession; reflects the median decline each month during the postwar recessions
Sources: Labor and Commerce Departments via the Minneapolis Federal Reserve Bank

U.S. NEWS

Obama nuclear summit to change the conversation

[Capital Journal]

BY GERALD F. SEIB



A few years ago, U.S. officials grew alarmed over a string of intelligence reports that an al Qaeda operative based in Saudi Arabia was leading an effort to buy Russian nuclear equipment on the black market.

The intelligence was shared with the Saudis, who moved in to break up the effort—though not before a radical cleric with ties to al Qaeda issued a religious decree justifying the use of weapons of mass destruction against “infidels.”

That scare goes a long way toward explaining why President Barack Obama and 46 other world leaders are meeting in Washington right now to talk about nuclear security.

Though the summit meeting hasn’t registered with many Americans more concerned about jobs and pocketbooks, and while its significance is discounted by some skeptics it actually represents a significant change in the international nuclear agenda.

This is one of those occasions when the specific things world leaders say is less important than the general topic they choose to talk about.

International conversations about nuclear matters largely have been stuck on the two traditional topics that dominated during the Cold War: American and Russian nuclear arms limits and stopping the proliferation of nuclear weapons capability to more nations. And those are, to be sure, highly worthy topics. But the risk of nuclear materials on the loose—in an era in which the U.S. is waging two wars against extremist movements without flags or borders—hasn’t gotten adequate attention.

This week’s event will change that. U.S. officials say the meeting is intended to produce a “work plan” in which all nations present agree both on tactics they will use to protect nuclear material and on a better system for international organizations to monitor how nuclear material is being tracked and safeguarded.

Yet the precise outcome of the summit is less important than the way it will change the nuclear agenda for years to come—and the prospect that the very fact that the meeting took place will reduce international skepticism about the importance of nuclear security.

While lots of people in high places pay lip service to nuclear security, many nations actually have been doubtful that there’s a realistic danger that a terrorist group could surmount the considerable hurdles needed to acquire nuclear weapons.

U.S. officials say privately that this skepticism—deepened by continuing cynicism over Washington’s mistaken claims that Iraq was actively developing weapons of mass destruction before the U.S. invasion—has been

a significant obstacle to efforts to tighten nuclear security.

Now, though, a senior U.S. official involved in planning this week’s summit cites three reasons the world should take the threat of nuclear seepage more seriously.

The first reason is the growing general circulation of technical knowledge on how to construct nuclear devices. Second is simply the amount of fissile material that is available, particularly as Russia dismantles some of its nuclear arsenal and India and Pakistan build up theirs.

And third, a growing dependence on nuclear power around the world inevitably will produce both more nuclear material and more opportunities for it to seep out.

It’s significant that, while the Obama administration has distanced itself from the Bush administration on some elements of the war on terror, this area of nuclear security is decidedly not one of them. Indeed, Mr. Obama, working with Indiana Republican Sen. Richard Lugar, made efforts to secure “loose nukes” one of his signature issues while in the Senate.

On Sunday the president declared flatly: “We know that organizations like al Qaeda are in the process of trying to secure a nuclear weapon—a weapon of mass destruction that they have no compunction at using.”

In fact, al Qaeda’s documented interest in weapons of mass destruction is the final, and perhaps most important, reason to take the effort seriously.

Officials with access to intelligence reports say that as far back as the Clinton administration in the 1990s, the U.S. and its allies were coming across efforts by al Qaeda to acquire nuclear materials and expertise. When the U.S. invaded Afghanistan, troops found al Qaeda computers with documents on rudimentary nuclear-weapons designs.

In the summer of 2001, in what intelligence officials now refer to as the “conversation around the campfire,” Pakistani nuclear scientist Bashiruddin Mahmood met in Afghanistan with al Qaeda’s leader, Osama bin Laden, to discuss how the group might build a nuclear device, intelligence reports say.

The scientist later told Pakistani officials that when he explained to Mr. bin Laden how difficult it would be to process the necessary raw material, the al Qaeda leader replied: “What if I already have it?”

That remark indicated that “bin Laden understood intuitively that they only way they were going to succeed is if they acquired the material” from someplace else, says Rolf Mowatt-Larsen, former head of the weapons of mass destruction department at the Central Intelligence Agency.

Then came the 2003 move with the Saudis to stop the effort to buy Russian nuclear devices. None of that proves a weakened al Qaeda can or will get close to a nuclear weapon, of course. But this week, the world is signaling that it won’t simply wait to find out for sure.



Spanish President José Luis Rodríguez Zapatero arrives for the summit on Monday

The new nuclear age

A two-day summit shows atomic security topping Obama’s agenda

BY JONATHAN WEISMAN

WASHINGTON—President Barack Obama demonstrated ahead of a two-day nuclear-security summit that starts Monday how much he would bend on issues like human rights to advance nuclear controls that have climbed to the top of his foreign-policy agenda.

Meeting Sunday with world leaders with problematic nuclear records but vital roles in securing such weapons and materials, he pressed the heads of Kazakhstan, India, Pakistan and South Africa on efforts to control nuclear materials and weapons.

“The single-biggest threat to U.S. security, both short term, medium term and long term, would be the possibility of a terrorist organization obtaining a nuclear weapon,” Mr. Obama said Sunday. “If there was ever a detonation in New York City or London or Johannesburg, the ramifications economically, politically and from a security perspective would be devastating. And we know that organizations like al Qaeda are in the process of trying to secure a ... weapon of mass destruction that they have no compunction at using.”

The first breakthrough from the summit emerged with the announcement Monday that Ukraine will get rid of its stockpile of highly enriched uranium by the end of 2012.

“This is something the United States has tried to make happen for more than 10 years,” White House spokesman Robert Gibbs said Monday, adding that the amount of the material held by Ukraine is enough to make several nuclear weapons. “This demonstrates Ukraine’s continued leadership in nonproliferation and comes in an important region where we know a lot of highly enriched uranium exists.”

His first day of meetings included a one-on-one session with Nursultan Nazarbayev, who has ruled Kazakhstan, a former Soviet republic, since just before the collapse of the Soviet Union in 1991.

Human-rights activists have criticized Mr. Nazarbayev for corrup-

tion and repression, but he has been praised by Obama administration officials for voluntarily giving up the massive nuclear arsenal left behind in the 1990s by the receding Soviet empire.

The U.S. president met with the heads of two of the newest declared nuclear powers, India and Pakistan, which angered the international community when they both tested their first weapons in 1998.

Securing their arsenals, especially Pakistan’s, has become a primary concern for the administration in the face of Islamist insurgencies in the region. He will also meet with Jacob Zuma, the president of South Africa, who has clashed with U.S. officials over AIDS policy. The U.S. president is seeking to reward South Africa for voluntarily giving up its nuclear-weapons program after the collapse of apartheid.

The Obama administration is hailing the summit, which officially starts Monday, as the largest gathering of world leaders in the U.S. outside the United Nations since the founding of the U.N. in 1948. Throughout the day, Mr. Obama quietly posed for pictures with the leaders of Jordan, Malaysia, Ukraine and Armenia.

He and Chinese President Hu Jintao were tight-lipped at a photo opportunity at the start of their meeting. Neither said a word about nuclear security, Washington’s concerns over the value of the yuan or China’s displeasure over a U.S. arms sale to Taiwan and Obama’s recent meeting with the Dalai Lama.

Although nuclear proliferation has been a top stated issue for presidents back to Jimmy Carter, there has never been a summit this large dedicated strictly to the issue of nuclear terrorism and security. Mr. Obama has promised results.

The search for those results helped determine the first round of formal meetings. Laura Holgate, the National Security Council’s senior director of weapons of mass destruction, terrorism and threat reduction, said the U.S. and Kazakhstan have nearly completed the decommissioning of a large nuclear-

power plant with highly enriched uranium fuel, and fuel with unusually high plutonium content.

Another U.S. team is working with the Kazakhs at a research reactor near the city of Almaty to convert it to less dangerous low-enriched uranium, to secure highly enriched uranium on site. More work is being done at the old Soviet nuclear test site to secure radioactive materials and fill blast tunnels.

“I have come to share with President Obama and other heads of state the bold plan Kazakhstan implemented to reduce and prevent the threat of nuclear terrorism through nuclear disarmament, non-proliferation and peaceful civilian power use,” Mr. Nazarbayev said.

He wants Mr. Obama’s backing to house an international nuclear-fuel bank, where non-nuclear powers can obtain enriched uranium for nuclear-power plants without having to build their own nuclear-enrichment plants, which could also be used to build materials for atomic weapons. But, a White House official said, the plan is controversial at the International Atomic Energy Agency.

Human-rights groups called on Mr. Obama to press Mr. Nazarbayev for more press and political freedoms. “The region is governed by autocrats. When the administration engages with them and ignores people’s grievances, this is not only wrong but ultimately damaging. It could alienate the public and reformist forces,” said Rachel Denber, a Central Asia expert at Human Rights Watch.

Michael McFaul, the NSC’s senior director for Russia and the Caucasus, said there was a “lengthy discussion of democracy and human rights,” but both leaders concluded that “you don’t ever reach democracy. You always have to work toward it.” Mr. Obama assured Mr. Nazarbayev, “we too are working on our democracy,” said Mr. McFaul.

Mr. Nazarbayev agreed to a new overflight route into Afghanistan and announced a contract between General Electric Co. and Kazakhstan’s railroad for the development of 120 electric locomotives.