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Chiefs' pay edges down again

By Joann S. Lublin

The boss took a haircut again last year as CEO compensation edged lower in 2009, the first time in two decades that pay declined for two consecutive years.

The median value of salaries, bonuses, long-term incentives, and grants of stock and stock options for the chief executives of 200 major U.S. companies declined 0.9% to $6.95 million, according to an analysis done for The Wall Street Journal by Hay Group, a management consulting firm. The study reviewed publicly traded companies with more than $4 billion in annual revenue, using the pay of the executive at the group's midpoint to measure the change.

The drop in total direct compensation was only the third since 1989 when the Journal began tracking CEO pay. In 2008, their pay fell 3.4%. The analysis also showed that highly paid CEOs generally run companies that deliver better-than-average shareholder returns.

Jeffrey R. Immelt, chief executive of **General Electric** Co., declined a bonus for the second straight year pushing his total pay lower by 4.7% to $5.1 million. GE's stock fell 6.6% last year.

In contrast, Ray R. Irani, CEO of **Occidental Petroleum** Corp., collected $52.2 million, making him yet again the highest paid executive. Its stock rose 36% last year. Except for 2006, Mr. Irani has been among those at the top of the Journal's ranking ever year since 2004.

This year's decline reflected the recession, government controls and continued public outcry over big pay packages. Long-term incentive awards, mostly stock and stock options, were hardest hit, falling 4.6% to $5 million.

By contrast, salaries and bonuses rose a median 3.2% to $2.64 million. Salaries stayed flat, but bonuses increased 3.4% to $1.5 million, even as profits declined.

As the recession deepened in late 2008, "many boards lowered targets for 2009—and so some CEOs collected bonuses even as profits declined," said Irv Becker, head of Hay's U.S. executive-compensation practice.

In the financial-services industry, salaries and bonuses rose 5.9%, to $3.26 million, despite government rules that pushed banks and brokerages to pay smaller bonuses and more in stock. Total compensation in the industry was unchanged at $9.2 million.

Pay curbs appear to be ending. Several companies recently thawed frozen salaries or canceled pay cuts. **Pfizer** Inc. in February lifted a pay

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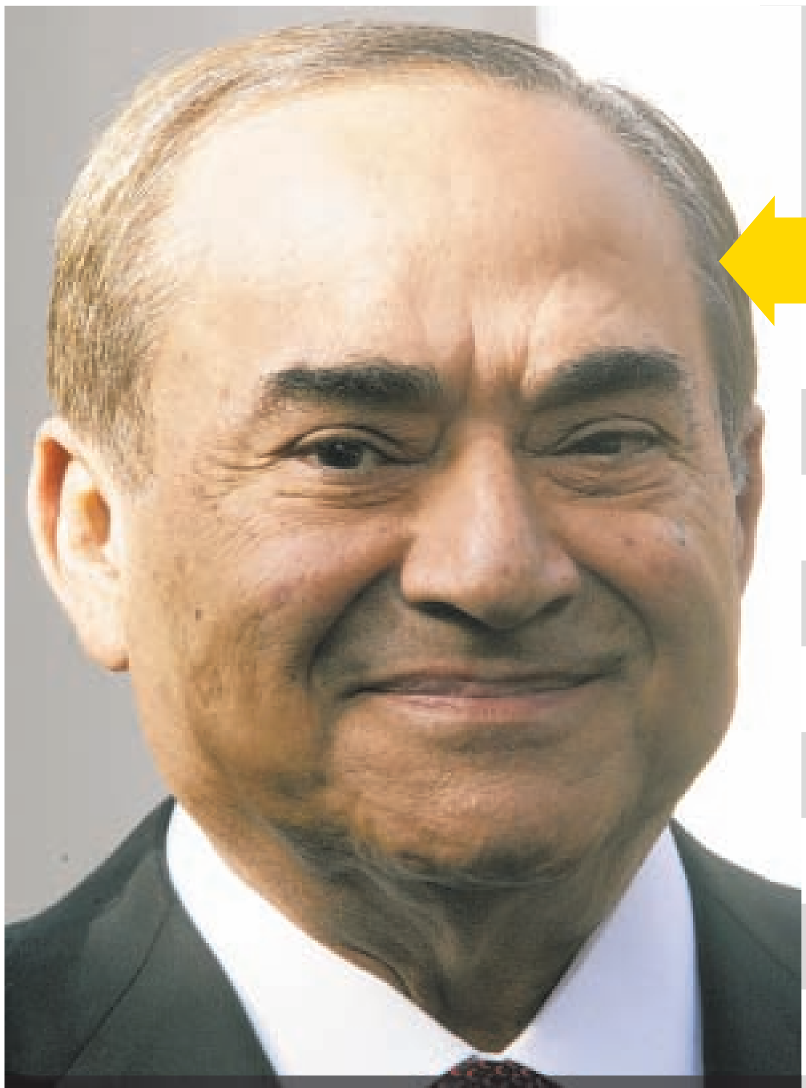


See full results of the CEO pay survey at WSJ.com/ExecPay

The top earners

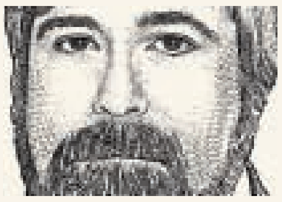
These 10 U.S. CEOs recorded the largest total direct compensation in the Journal Survey.

	Total direct compensation, in millions	Change from 2008
Ray R. Irani Occidental Petroleum	$52.2	+4.5%
Robert A. Iger Walt Disney	$20.8	–58.6%
Samuel J. Palmisano IBM	$20.1	+2.8%
William C. Weldon Johnson & Johnson	$19.8	+12.8%
Jay S. Fishman Travelers	$19.5	+59.2%
Randolph L. Stephenson AT&T	$19.4	+32.3%
Robert J. Stevens Lockheed Martin	$19.0	+4.7%
Miles D. White Abbott Labs	$18.7	+3.8%
John G. Stumpf Wells Fargo	$18.7	+112.3%
W. James McNerney Jr. Boeing	$16.8	+7.7%

Note: Current values may be lower
Source: Proxy statement analysis by Hay Group

Photo: EPA

The Quirk



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Notice to Readers

The Wall Street Journal Europe won't publish Friday or Monday in observance of the Easter holiday. News and updates are available at europe.WSJ.com.

Greece plans new bond offering

By Nick Skrekas And Costas Paris

ATHENS—Greece plans to raise up to $10 billion in the coming weeks even though officials say they are frustrated that the country's borrowing costs haven't fallen after the recent rescue pledge by its fellow European nations.

Last week's reassurance by the European Union that the bloc wouldn't let Greece default was meant to lower the amount of interest Greece must offer to attract the new money it desperately needs.

A week later, that hasn't happened, raising expectations that the EU, together with the International Monetary Fund, will need to step in to bail out Greece. Yet it is unclear how much further Greece's financial position has to deteriorate before the EU would agree to intervene.

Germany, which would bear much of the cost of a potential rescue, has made it clear that it doesn't regard Athens' current financing burden as justification for intervention. Some economists warn, however, that if Germany and other EU countries push off a rescue for too long, they risk allowing the crisis to spin out of control.

On Monday, Greece sold a €5 billion ($6.71 billion), seven-year bond. But even its high 6% interest rate failed to attract heavy demand. Tuesday, Greece sold €390 million of an old bond issue, again at around 6%, but it had sought up to €1 billion. That is twice what the German government pays on comparable debt.

The high premiums suggest that investors aren't persuaded Greece can emerge from its fiscal crisis—its 2009 budget deficit was nearly 13% of gross domestic product, more than four times the EU limit. That raises questions of how long the country can manage to pay steep rates to refinance its old borrowings. More than €20 billion of debt comes due in April and May.

Compounding the woes, on Wednesday, Moody's Investors Service downgraded five Greek banks because of "the country's weakening macroeconomic outlook."

According to Markit, the annual cost of insuring €10 million of Greek debt against default for 10 years rose Wednesday to €340,000 from €335,000.

A senior Greek government official said Athens would solicit investors in the U.S. around April 20 and in Asia a week later for a dollar-denominated bond. The official said little government debt is held

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PAGE TWO

Greece's rescue package could sink it

[Agenda]

By Patience Wheatcroft

Banks have never featured high on the list of most-loved institutions, but right now they rank rock bottom. So any government proposing to slap an extra tax on banks is likely to have widespread public support.

Never mind the fact that bank profits, beyond funding fat bonuses, have traditionally been major contributors to pension funds, via dividend payments to investors. The public attitude is one of deep hostility toward those blamed for the world's financial crisis, and politicians are largely happy to add their weight to that view.

But the growing momentum behind calls for a global bank tax masks gaping disagreements as to the shape and purpose of the levy. While Germany is proposing that banks be made to contribute to a fund that would cover the cost of future bailouts, it isn't altogether surprising that some other governments see a bank tax as a way of replenishing their own depleted coffers. Confronted by a massive deficit, the U.K.'s Chancellor Alistair Darling is quite clear that the proceeds of such a levy should be put at national governments' disposal, to do with as they wish.

On Tuesday, French Finance Minister Christine Lagarde took a similar view, announcing tactfully that she found the German proposals "useful" but leaving no doubt she would intend getting her hands on the cash rather than allowing it to be ring-fenced in some special fund.

Mr. Darling's attempt at dressing up his position as something other than a desperate need to find some money was unconvincing. He argued that using the levy to effectively establish a rescue fund would encourage banks to behave

Reuters

Amid the ruins, is Europe asking Greece to ruin itself financially

recklessly, taking the view that they had insured against getting into difficulties. "To minimize moral hazard the proceeds of a levy should go into general taxation rather than a stand-alone fund," he said.

He may not have a high opinion of banks, but most are unlikely to encourage foolhardy behavior by their staff on the grounds that they have

The finance ministers missed that, at a price, money is available to even the riskiest of borrowers.

contributed to a bailout fund. That is tantamount to suggesting that having winter-sports insurance encourages skiers to take a cavalier attitude toward the risk of broken limbs or avalanches. The hazard, we have learned, lies in not having an agreed structure that would enable the winding down of failed banks and the funds to make that possible.

The differing views, though, are likely to make it harder for an agreement on a bank tax to be reached at June's G-20 meeting. While many countries have argued that it would be wrong for countries to move unilaterally to impose a bank tax, unless they can concur over its shape and purpose the G-20 could degenerate into a bad-tempered scene setter for a series of different national measures.

That could then lead to the sort of convoluted regulatory arbitrage at which some banks are all too skilled. And if the choice is between paying into an insurance fund and handing a few billion to a profligate government, then the former may have rather more appeal than the latter.

Pushed to profligacy

Greece has run out of cash and it is fast running out of the ability to borrow at anything but the most punitive rates. Yet borrow it must, thus putting itself in an ever more precarious position.

It is the originator of its difficulties, but, far from helping, those fellow euro-landers it turned to for salvation have merely exacerbated its problems. This became painfully apparent this week as the country's attempts to refinance its maturing debt managed only a grudging response, despite an interest coupon struck at an excruciatingly high 6%.

Greek citizens had been led to believe that their country had acknowledged its former wrongs and was beginning to try to put its finances in order. Public-sector cuts had met with protests but politicians had argued that the pain was an essential part of the healing process. Instead, it is racking up yet more debts at prices that will weigh down future generations. The cuts are tiny compared with the commitments that the country is now taking on. What, the Greek people might wonder, happened to the aid that it had been agreed would be provided by the other euro-zone countries?

The answer is that the aid was close to worthless. It was a promise that, if Greece couldn't raise money elsewhere, then, as a last resort, Germany, France and their colleagues would join with the International Monetary Fund to bail out the country. The hope was that this would provide a level of reassurance that Greece wouldn't be allowed to default and thus encourage the markets to continue to lend to it. The fallacy in this scenario, of which some of the world's brightest finance ministers couldn't have been unaware, is that, at a price, money is available to the riskiest of borrowers.

There are public companies whose business consists of making small loans to individuals with appalling credit histories if they sign up to interest rates that can amount to more than 100%.

There were, let us not forget, banks prepared to give large mortgages to people who certified their own earnings or, in some cases, had never had any earnings to certify.

Greece may be sub-subprime and the crowds aren't rushing to take up its bonds, but it needs to find another €23 billion in the next couple of months, and the chances are that, somewhere, it will do so. Hence the euro zone will have an excuse for not intervening, which is exactly what German Chancellor Angela Merkel had intended.

But in the process, Greece, is being forced to ruin itself. Greek politicians must be wondering whether they can afford to have friends like Ms. Merkel and the rest of the euro zone. Perhaps they would do better just to go straight to the IMF.

What's News

■ **Germany moved toward** a new bank levy to cover the cost of future bailouts, and France said it will pursue a parallel effort, as leading economies weigh strategies for curbing speculation and preventing future crises. **4**

■ **A Chechen militant leader** claimed responsibility for Monday's subway bombings in Moscow, while two suicide bombers killed at least 12 people in the southern Russian province of Dagestan. **6**

■ **A U.K regulator ruled** that pay-TV provider BSkyB must offer rivals its coveted Premier League football broadcasts at a lower price. **17**

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Iain Martin on Politics

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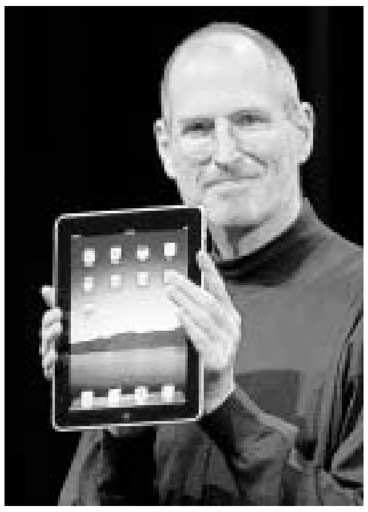
"Voters think their masters live on a different planet. If there is a rail strike next week, two worlds will collide."

Continuing coverage



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Question of the day

Vote and discuss: Who has the most leverage in talks between Google and China over hacking and censorship?

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Previous results

Q: Are "bad banks" a good solution to Ireland's woes?

Yes **46%**

No **54%**

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NEWS

The feared clash of 3-D titans

By Lauren A. E. Schuker

A moment the movie industry has been dreading arrives this holiday weekend, as a trio of big-budget 3-D movies collide at the multiplex.

After a modest debut last weekend, **DreamWorks Animation SKG** Inc.'s family movie "How to Train Your Dragon" will square off not only against **Walt Disney** Co.'s 3-D juggernaut "Alice in Wonderland" but also Warner Bros.'s new 3-D action film "Clash of the Titans."

To make way for "Clash," theater owners are resorting to some desperate measures. They may have to yank "Alice," which has grossed almost $300 million in the U.S., from many of its 3-D screens.

Cinemas also are considering playing different movies on a single 3-D screen. For example, some theaters could show "Dragon," which is geared toward younger children, during matinees and save "Clash," which is rated PG-13 in the U.S. and packs more violence, for evenings.

The traffic jam reflects the growing pressure facing Hollywood films as a glut of 3-D movies crowd each other out. There are a limited number of 3-D screens available to handle Hollywood's oversupply.

Big-budget movies such as "Dragon" and "Alice," which each cost more than $100 million to make and millions more to market, must do heavy business opening weekend to become profit-gushers. Otherwise, they face the prospect of being shoved aside by new 3-D films.

Industry watchers are predicting that "Clash of the Titans"could take in more than $70 million during its opening weekend, far exceeding the $43.7 million that "Dragon" grossed last weekend in North America. But analysts expect "Dragon" to play more strongly through the next few weeks, while "Clash" could drop off significantly after opening weekend.

Hollywood studios have been pressuring theater owners to clear out screens for each of their respective releases. The stakes of those negotiations rose because the roll-out of 3-D enabled screens hasn't gone as quickly as initially planned.

The 3-D movies have helped studios and exhibitors boost their profits. Theaters are racing to install hundreds of new 3-D screens But currently, only about 4,100 screens in North America, at roughly 2,500 locations, are 3-D enabled.

Cinemas around Europe are facing similar scheduling headaches as "How to Train Your Dragon" and "Clash of the Titans" are released across the region.

Warner Bros., a division of **Time Warner** Inc., surprised the industry when it said this year that it was in the process of converting "Clash of the Titans" to 3-D just months before its release date. At the time, some exhibitors said Warner Bros. said it was prepared to withhold other films from theaters that wouldn't make room for "Clash," though Warner Bros. denied that.

Warner Bros. is hoping to get ahead of the pack by opening "Clash" on Thursday rather than Friday. "By opening Thursday night, we can get the fanboys in early to spark word-of-mouth," says Dan Fellman, president of domestic distribution for Warner Bros. A Disney spokesman declined to comment.

"This sort of bottleneck will hurt, but ultimately it's a high-class problem" said Robert Marich, an industry analyst and author of "Marketing to Moviegoers."

"There is a lot of audience demand for 3-D movies, and that's a good thing," he said. "It's pretty normal that when a new technology comes along that the infrastructure lags behind demand."

—Ethan Smith and Gareth Morgan contributed to this article.

Associated Press

Fans at the Comic-Con Convention in San Diego had a sneak peek at the new 3-D 'Alice in Wonderland' last July.

EUROPE NEWS

Germany, France advance bank tax

Cabinet in Berlin approves proposed levy to cover cost of future bailouts; French officials support similar program

By Andrea Thomas
And Patrick McGroarty

Agence France-Presse/Getty Images

German Finance Minister Wolfgang Schäuble and his French counterpart, Christine Lagarde, talk in Berlin on Wednesday.

BERLIN—Germany on Wednesday moved toward a new bank levy to cover the cost of future bailouts, and France said it will pursue a parallel effort, as leading world economies weigh strategies for curbing speculation and preventing future crises.

A proposal approved by the German cabinet would include an annual levy on banks' balance sheets, excluding customers' deposits, that could generate up to €1.2 billion ($1.6 billion) annually. French Finance Minister Christine Lagarde, who participated in the German cabinet meeting that discussed the levy, said French officials would unveil their own plan "very soon."

"The German considerations are very useful," Ms. Lagarde said.

"We are supporting the introduction of bank resolution regimes in all EU member states," France and Germany said in a joint statement Wednesday. The French and German governments said they want to be able to intervene early if a bank is tottering and to wind down systemically important banks, including cross-border ones. The aim is to "impose market discipline and protect public funds," the statement said.

German Finance Minister Wolfgang Schäuble, who joined Ms. Lagarde at a news conference after the meeting, said that Germany's levy should be compatible with similar moves by other governments, and that he and Ms. Lagarde planned to press partners from the euro zone and the Group of 20 leading economies to take similar actions.

But, Mr. Schäuble said, Germany won't wait for a broader European plan before enacting its own levy.

"Our aim is to find a rule that provides sufficient incentives to reduce systemic risks, if possible, and which at the same time doesn't harm banks' ability to accompany the economic recovery process or the restructuring process," Mr. Schäuble said, adding that the levy is likely to raise €1 billion to €1.2 billion a year.

Germany's move comes amid voter unhappiness at having to cover many of the costs of the financial crisis.

"This has a psychological relief function for the government, which has provided billions of euros to the restructuring of banks," said Gerd Langguth, professor for political science at the University of Bonn. "Many voters are angry about the failure of bank executives for which they have to pay with taxpayers' money."

Mr. Langguth added that the timing of the measure is linked to crucial state elections in North Rhine-Westphalia, though the polling is "not the sole reason for" the levy. In those state elections on May 9, Chancellor Angela Merkel's center-right government risks losing its majority in Germany's upper house of Parliament if her conservative Christian Democratic Union and the Free Democrats are voted out of office.

Germany and France are among a handful of countries pursuing proposals to tax large banks, with similar measures under study in the U.S., the U.K. and Sweden. Ms. Merkel wants Germany's levy to set the tone for international financial rules that could be discussed by G-20 leaders when they meet in Canada in June.

France prefers a tax that would go directly to the overall budget rather than to a dedicated crisis-response fund, according to French officials. Ms. Lagarde said Wednesday that France hasn't decided whether to include hedge funds in its proposed levy.

There must be an international level playing field for banks, Ms. Lagarde said, adding that she hopes the U.S. and U.K. will implement similar bank-levy plans.

Asked whether a bank levy would make a financial transaction tax obsolete, Ms. Lagarde said: "I don't believe they are mutually exclusive."

Mr. Schäuble said that separate approaches in France and Germany are due to constitutional restraints on how tax proceeds can be used.

Germany's levy would be calculated by evaluating the perceived systemic risks posed by a bank. In addition, the statute of limitations for seeking damages from a bank judged responsible for a crisis would be doubled to 10 years.

"The systemic risk will be defined by the volume of assumed liabilities of a bank and its interconnection on financial markets," the draft said.

The government intends the bank levy not to be tax-deductible. According to a key points of the German plan, the levy should apply to commercial and savings banks, but not insurance companies.

Germany set aside nearly €500 billion in guarantees and other support measures for financial institutions hit by the crisis, which was partly caused by overly risky investments. Berlin aims to have a detailed draft bill ready for cabinet approval before the parliamentary summer break.

—Nathalie Boschat in Paris contributed to this article.

Breaking the levy

Where key nations and institutions stand on the push for a global bank tax.

Germany: Cabinet has agreed to use a levy to fund a "resolution authority" that would use the money to shut troubled, structurally crucial banks. Sweden is setting up a similar system.

France: Wants the fee to cover bailouts assessed after a crisis occurs.

U.S.: Congress is moving toward a levy to build a fund before a crisis. The Obama administration favors the post-crisis option.

U.K.: Gordon Brown has championed a global levy, including one in which revenue would be used to help pay down deficits, but only if there is international consensus. The opposition Conservative Party says it would press ahead with a levy regardless

Canada: Canada's banks weathered the crisis well and Canada is pressing the G-20 to stiffen leverage requirements rather than impose a bank tax.

IMF: The international organization is putting together a proposal on a bank tax that nations could adopt to pay in advance.

Greece plans new bond offering

Continued from first page

by Asian and U.S. investors, and "it's a good time to tap their interest."

Finance officials have said they would like the difference between Greek government bond yields and lower German yields to fall to as low as two percentage points. Instead, Greece is now paying about a 3.3-point markup, adding significantly to interest costs. "There is some frustration that spreads on Greek bonds remain stubbornly high," said the government official.

Another Greek government official faulted the lack of specifics on how and when the EU support mechanism—which at German insistence would include a contribution from the IMF—would be activated.

"The vagueness of the EU support package is keeping the spreads high," this official said. The EU's statement said euro-zone countries would lend Greece money as a last resort if "market financing is insufficient." What that means wasn't spelled out.

A provision bothering Greeks is that only a unanimous decision by euro-zone leaders can activate the program. That effectively gives Germany, which is reluctant to hand out aid, a veto over writing the check.

The persistently high rates leave Athens in a tough spot as it tries to narrow its massive budget shortfalls, said Commerzbank AG analyst Lutz Karpowitz in a note to clients.

"Higher interest payments eat up any savings made," he said. "This is affecting the euro as it is becoming increasingly likely that Greece will not be able to solve its problems on its own accord."

The euro remains under pressure this week and was trading Wednesday at around $1.3544, sharply off highs seen earlier this year.

Adding to the uncertainty is a stormy domestic political situation. Greece's leaders have pushed though stiff budget cuts and tax increases, but not without stoking popular discontent. That has investors concerned that Athens won't be able to make the tough cuts stick. On Wednesday, lawyers and notaries public began a two-day strike to protest a new 21% tax on their services. That action added to the rash of strikes and demonstrations against budget cutbacks this year.

Stathis Anestis, spokesman for the Greek General Confederation of Labor, expressed impatience that financial markets haven't rewarded painful cutbacks with softer credit terms. "Perhaps they just need time to convince markets but we want results from these bitter pills that workers have swallowed," he said.

Antigovernment sentiment also is growing among business leaders, who are unhappy that fiscal cuts are likely to extend Greece's recession. Christos Staikouras, deputy head of economic affairs for the center-right New Democracy opposition party, said he was skeptical that the EU aid proposal would do much to help borrowing costs.

"Our recent experience in bond issuance, the limited interest and widening spreads confirms that you can't blackmail market behavior—nor have they been convinced by cheering from the government camp," Mr. Staikouras said.

Greece has raised €20.39 billion through sales in 2010. It needs to borrow about €54 billion to pay old loans and fund this year's shortfall.

Euro-zone jobless rate climbs despite growth

By Nicholas Winning

LONDON -- The unemployment rate in the 16 countries that use the euro rose to its highest level for more than 11 years in February, suggesting the economic recovery still isn't strong enough to prevent companies from cutting staff.

European Union statistics agency Eurostat also said that the euro zone's inflation rate has jumped to a 15-month high. But economists say there is unlikely to be an interest rate hike in the near term as inflation remains well below the European Central Bank's target of just below 2%.

The euro zone seasonally-adjusted jobless rate rose to 10.0% in February from 9.9% in the previous three months, marking the highest level since August 1998, Eurostat said. The rise is in line with the market consensus estimate from a Dow Jones Newswires survey of economists last week.

The fresh increase after three months of stability suggests companies across the currency block are still suffering from weak demand even though the economy returned to growth in the third quarter of last year. With so many people out of work, the data also suggest retail sales are unlikely to recover quickly.

"We are still inclined to believe that unemployment will continue to rise through 2010 and into 2011, but we are somewhat nervously watching the data which has for the most part been stronger than we expected recently," said Klaus Baader, an economist at Société Générale.

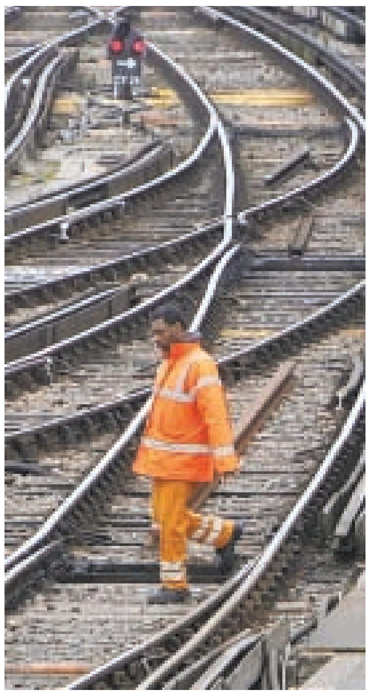
The latest survey of euro-zone companies by Markit released last Wednesday showed firms continued to cut jobs in March, but the rate of decline in employment was the weakest since August 2008.

Figures released by Germany's federal labor agency Wednesday also showed the number of people registered as unemployed in the euro zone's biggest economy dropped by 31,000 in March, defying market expectations of a 10,000 increase.

EUROPE NEWS

Commuters face travel chaos

First U.K. national rail strike in 16 years threatens workers with 'four days of hell'


Reuters
A London rail worker crosses tracks.

By Javier Espinoza
And Alistair McDonald

LONDON—The first national rail strike in the U.K. in 16 years, scheduled for next week, could cause "huge disruptions," leaving most of the three million daily London commuters stranded or unable to go to work, the rail-infrastructure operator Network Rail said Wednesday.

The strikes have become a big headache for Prime Minister Gordon Brown on the eve of a national election expected early in May.

Transport unions RMT and the Transport Salaried Staffs' Association have said 6,000 rail signaling workers and 12,000 maintenance workers nationwide would stage a four-day walkout beginning April 6 in a dispute over changes to working practices and looming job cuts.

A spokesman for RMT said: "Our members are angry that many critical jobs are being axed. We oppose the cost-cutting program and want to expose the safety consequences of those cuts." Network Rail intends to slash 1,500 jobs and increase evening and weekend shifts.

A representative for Network Rail said it was still in talks with union leaders late Wednesday in an effort to avert the strike. The rail operator is also challenging the legality of the strike in court today.

The spokesman said Network Rail believes there are voting "discrepancies" and accused the union of balloting workers who don't exist. Some inaccuracies included 11 signal boxes balloted by the RMT that don't exist and 67 locations where the number of union members was higher than the total number of employees, the company said.

"We think those discrepancies would have had a substantial material impact on the results since the strike was only approved by 54% of votes," the spokesman said. But a representative of the union said it would be "robustly defending" its right to industrial action.

Some of the signaling and maintenance workers also work on tracks shared by London Underground, but a metro spokesman said that system won't be affected. "The effect would be very small. This has nothing to do with us," he said. But the RMT union has warned it would ballot its 10,000 London Underground members over intentions to cut 800 jobs.

Commuters were bracing for "four days of hell." Heather Walker, who works for the Brooke, an animal-welfare charity in central London, said many of her colleagues wouldn't be able to make it to work.

"We will struggle to operate. We rely on volunteers to help us out with admin, phone calls.... It will be hard for them to get into work. Some people live 30 miles away," said Ms. Walker, who commutes from Kent to London every day.

Separately, Unite, the union representing British Airways' cabin crew, also threatened a third strike next week, but a spokesman for the airline said there was no indication that a strike was imminent.

Unite is one of Mr. Brown's Labor party's biggest donors, giving it about £11 million ($16.6 million) during the past three years. The opposition Conservative Party has jumped on the connection.

"With national rail strikes, a Tube strike and the recent BA strikes, unions are trying to cash in on Gordon Brown's weak government and bring our transport system to a standstill," said Theresa Villiers, a senior Tory member of Parliament.

The strikes could herald a year of increased industrial action in the U.K. as the government tries to tackle record debt with job cuts and spending cuts in public services. Some public-sector workers have already downed tools this year. Next week's rail strike would coincide with the time when Mr. Brown is expected to set the date of the general election. But workers insisted the timing wasn't politically motivated.

Consultancy firms were advising companies in anticipation of mass absenteeism. Martin Caddick, of PricewaterhouseCoopers LLP, said allowing employees to work from home was a solution to keep business operating. However, managers should be aware that remote staff are more difficult to manage and supervise, he said.

EUROPE NEWS

Chechen claims responsibility

Separatist says he ordered Moscow metro attacks; suicide bombers kill 12 more in Dagestan

By Gregory L. White

MOSCOW—A Chechen separatist leader claimed responsibility for Monday's suicide bombings in the Moscow subway, just hours after a deadly attack in Russia's North Caucasus fueled Russians' fears that they could be in for a new wave of terror strikes by Islamist groups.

Doku Umarov, the self-described Emir of the Caucasus whom Russian officials blame for several other attacks in Russia, said he ordered the Moscow bombings in a video posted Wednesday on a Web site affiliated with Chechen separatists. Mr. Umarov said the twin bombings—the first terrorist strikes in the capital in six years—were in retaliation for killings by security forces in February of Chechen civilians.

Dmitry Peskov, a spokesman for Prime Minister Vladimir Putin, said law-enforcement agencies are investigating Mr. Umarov's claim of responsibility. "But the fact remains that he's a terrorist, and he will be destroyed," he said.

Mr. Umarov is one of Russia's most-wanted men for his alleged role in other attacks, including the bombing of a Moscow-St. Petersburg express train last fall. Investigators have said they suspect Monday's attacks were linked to Russia's North Caucasus region.

In the video, which showed him sitting in a wooded area, he said the bombings were aimed at "destroying infidels and sending a 'hello' to the FSB," a reference to the Russian Federal Security Service, under whose Lyubyanka headquarters the first attack took place.

He reiterated threats in January to conduct more attacks in the Russian heartland.

"I promise you that the war will come to your streets, God willing, and that you will feel it in your own life and on your own skin," he said in the video that he said was recorded Monday. A longtime leader of Chechen separatists, he has called for the creation of a fundamentalist Islamic state spanning the North Caucasus.

Earlier Wednesday, suicide bombers killed 12 people in Dagestan, a restive Caucasus region that

European Pressphoto Agency

The site of Wednesday's attack in Kizlyar, where 12 people, including nine police, were killed.

borders Chechnya. Since 1994, Russian forces have fought two wars with separatists in Chechnya, which now is ruled by a former rebel who switched his allegiance to the Kremlin. Following Wednesday's attacks, top officials said they suspected they might be linked to the subway bombings in Moscow.

Officials haven't identified suspects in Monday's bombings other than to say the bombers were young women. That fact has added to worries that the capital could be in for a repeat of the wave of suicide bombings by separatist women from Chechnya—known as "black widows" because many reportedly had lost family members in fighting with Russian forces—that killed scores in 2003 and 2004.

"The terrorists' goal is to destabilize the situation in the country," President Dmitry Medvedev told a specially called meeting of top security officials Wednesday at which he announced new steps to improve protection of the nation's sprawling transit network. "We will not allow that."

Earlier Wednesday, Prime Minister Putin told a Cabinet meeting that he believes the same group could be behind both the Moscow and Dagestan attacks.

Like other such attacks, Wednesday's strike in the town of Kizlyar near the Chechen border targeted police. Officials said the suspected bombers were men.

The first bomber, in an SUV with police markings, detonated his device after two road policemen tried to stop his vehicle as it drove toward the town's police station, officials said. About 15 minutes later, the second attacker, dressed in a police uniform, detonated in the crowd of investigators and rescuers that had gathered. Nine of the dead were policemen, including the town's police chief.

A police spokesman said the driver of the SUV had been identified as Daoud Magomedov, a local man suspected of ties to Islamist groups. Attacks on police more than doubled last year to 213 in Dagestan. Human-rights groups say many are motivated by the authorities' brutal tactics.

"Terrorist attacks are a common event in Dagestan," said Islamagomed Nabiyev, a business activist in the regional capital of Mkhachkala. "The North Caucasus feels separate from Russia, like a colony."

In Moscow, officials released few details about the investigation, other than to confirm that it is focusing on the North Caucasus. Moscow's police chief said officers were checking districts of the city with large populations from the region.

In Ingushetia, another strife-torn neighbor of Chechnya, officials said investigators were seeking relatives of Islamists killed in recent raids by security services. "We're looking at whether the women are at home, checking their relatives by address to see that there's no Ingush link here," Ingush President Yunus-Bek Yevkurov told reporters in the regional capital Magas, Interfax reported.

Female suicide bombers have become a hallmark of terrorism from the region in the past decade, after Russia for the second time sent in troops to brutally suppress separatists in Chechnya. Since the first Chechen suicide attack in 2000, about 40% have been carried out by women, according to Robert Pape, a University of Chicago specialist on suicide terrorism.

—Nonna Fomenko contributed to this article.

Probe reaffirms view on climate

By Jeffrey Ball

A U.K. government investigation of an influential climate-research lab found no evidence that the lab's director improperly manipulated scientific work but criticized researchers there for refusing to disclose data.

In a report released Wednesday, a committee of the U.K.'s House of Commons reaffirmed what it called the "consensus" view among scientists that human activity is causing climate change.

However, the report raised concerns about the behavior of climate scientists in general, particularly their reluctance to disclose crucial scientific information. If the practices of the Climatic Research Unit at the **University of East Anglia** "are found to be in line with the rest of climate science," the report said, "the question would arise whether climate science methods in operation need to change."

A lab spokesman said the Climatic Research Unit "welcomes this largely positive report."

The investigation stems from emails hacked from Climatic Research Unit computers and published online late last year. The messages sparked questions about the validity of the lab's research.

The report said that Phil Jones, director of the Climatic Research Unit, didn't improperly manipulate data to overplay the role of humans in climate change. "Within our limited inquiry and the evidence we took, the scientific reputation of Professor Jones and CRU remains intact."

In one hacked email that drew widespread attention, Mr. Jones talked of using a "trick" to reconcile conflicting temperature data. The report concluded that was just "shorthand for the practice of discarding data known to be erroneous."

Although the researchers at the East Anglia lab didn't release all their temperature data, their conclusions "show broadly the same sort" of temperature rise since the 19th century that other labs have found.

Still, the report cited "a culture of non-disclosure" at the lab, saying Mr. Jones's actions to prevent disclosure of data to his critics "were invariably counterproductive."

A university spokesman said Mr. Jones wouldn't comment.

The report also found evidence that the lab violated the U.K.'s Freedom of Information Act in refusing to release some scientific data to outside researchers who question the link between human activity and climate change.

The lab spokesman said a coming additional investigation into the lab's conduct "will consider whether our actions were appropriate and we are committed to responding to any recommendations made."

As a bottom line, though, the committee found nothing in its probe to dissuade it from the view that "there is anthropogenic heating of the earth and it's obviously caused by mankind," Phil Willis, a U.K. member of parliament, said in an interview Wednesday.

Mr. Willis chairs the House of Commons' Science and **Technology Committee**, which conducted the investigation.

As this probe ends, others loom.

One will examine more emails and documents from the East Anglia lab to assess the conduct of the lab's researchers through a more expansive review. Another will delve into the quality of the lab's climate science.

Baltic region gets a boost from Moody's amid stability

By Art Patnaude And Clare Connaghan

LONDON — The Baltic region received a much-needed boost Wednesday after Moody's Investors **Service** Inc. raised its debt ratings for the region.

The Baltic states of Latvia, Lithuania and Estonia were among the hardest hit in Europe by the financial crisis, largely due to a withdrawal of foreign capital that had spurred double-digit growth in the middle of the decade.

But the crisis has now largely passed, and growth has returned to some of the countries, at least on a quarter-to-quarter basis.

Moody's reserved special praise for Estonia, raising its rating to stable from negative, reflecting improved financial and economic prospects. The possible adoption of the euro in 2011 was also a factor.

The two other countries in the region also benefitted. The ratings agency said Lithuania's economy had stabilized more quickly than expected, while the possibility of a devaluation was now "highly unlikely" in Latvia. Both countries were upgraded.

While adoption of the euro is likely in January 2011, Moody's said this will not be a cure for all the issues that Estonia faces.

Moody's rates Estonia at A1. It rates Latvia at Baa3 and Lithuania two notches higher at Baa1.

On Estonia, the ratings agency said while the economy continues to adjust from the reversal of the domestic credit boom, "the deleveraging process should ultimately build a base for a more sustainable growth profile in the years ahead."

It also noted that problems in the banking sector have eased, and profitability there will support medium-term growth.

This move comes just one day after peer Fitch Ratings placed Estonia's BBB+ rating on positive watch and indicated it would upgrade the Baltic nation if its bid to adopt the euro is formally accepted this summer.

Yet while adoption of the euro is likely in January 2011, Moody's said this will not be a cure for all the issues facing the country.

"Estonia still needs to overcome a high degree of private sector leverage and weakened competitiveness that are a legacy of the boom years," said Kenneth Orchard, vice-president in Moody's Sovereign **Risk Group**.

The worst of the recession has now passed in Latvia, with the country's economy expected to grow again in the second-half of this year, Moody's said.

The recession in neighboring Lithuania ended as early as the third-quarter last year, Moody's said, which is "expected to have a modestly positive impact on government financial strength through slightly lower budget deficits and less rapid increase in debt," it added.

U.S. NEWS

Did Congress take a step on path to fiscal sanity?

[Capital]

By David Wessel

Last year, Congress rejected a bill that would have required an up-or-down vote on recommendations to reduce the budget deficit from a commission composed primarily of members of Congress. This year, Congress acquiesced to President Barack Obama's insistence that it create a presidentially appointed Independent Payment Advisory Board (IPAB) to craft ways to slow Medicare spending that will take effect automatically unless Congress votes to reject them.

Did something big just happen that will nudge Washington toward fiscal sanity? Or is this a smoke screen, one that allows backers of the health bill to argue today that it was fully paid-for and gut the provision tomorrow?

We won't know for a decade. "We'll get earlier feedback on the Apple iPad's performance than the IPAB," quips Peter Orszag, the White House budget director.

The Congressional Budget Office estimates that the board will save around $15.5 billion over 10 years.

There is a chance—a chance—this will grow into a mechanism that overcomes congressional inability to say "no" to Americans who collectively demand more in benefits than they're willing to pay in taxes. It is hardly democratic. It substitutes technocrats' judgment for decisions by elected representatives. But, as Maya McGuiness, head of the Committee for a Responsible Federal Budget, puts it: "Outsourcing some of the harder policy decisions is the best chance we have."

The law instructs the 14-member board to devise money-saving changes to Medicare when per-capita spending is projected to climb faster than one percentage point above the overall economy's growth rate. Congress can block the changes, but that requires a majority vote or, if the president vetoes, two-thirds. There are lots of strings: The law says the board can't ration care, increase revenue or change benefits, and hospitals get a pass for the first several years.

The Congressional Budget Office estimates that the board will save around $15.5 billion over 10 years, on top other changes to Medicare specified in the law—more if run by the right people and if Congress lets it take the heat, less if run by the wrong people or if Congress resists.

But it is a big change: A Medicare panel Congress created in the 1997 Balanced Budget Act can only make suggestions; this one has more teeth. "If I had gone to the Aspen Institute or the Brookings [Institution] board, and said you're going to get an entitlement commission with authority to control health-care costs, they'd be breaking out the champagne and high-fiving themselves," says Rahm Emanuel, the president's chief of staff. "That's what's been done at the president's insistence over the opposition of providers and defenders of congressional prerogatives."

When House Ways and Means Chairman Charles Rangel (D., N.Y.) told Mr. Obama that House Democrats were uneasy about surrendering their power over the purse, White House aides say the president responded: "There'll be no health bill if I don't have the ability to control costs."

Mr. Orszag injudiciously told the Washington Post's Ezra Klein that the provision represents "the largest yielding of sovereignty from the Congress since the creation of the Federal Reserve." (Don't tell the Supreme Court.) If the board realizes its potential to push Medicare toward paying for better quality care, as opposed to paying for more care, "it could well turn out to be perhaps the most important component of the new legislation," he says. (Mr. Orszag sometimes sounds like a man growing weary of the high-pressure budget director's job who would love to chair the new board.)

Yelps from doctors and drug companies suggest the IPAB may bite. The American Medical Association complains that "un-elected officials" are getting "broad discretionary authority to make radical changes in the structure of...Medicare." The Pharmaceutical Research and Manufacturers of America objects to the "non-elected" board's "overly broad powers." Already, several members of Congress are vowing to weaken the board before it gets going.

Deficit fighters are divided. "I like it," says Ms. McGuiness. "Of course you can always change the rules, but it's helpful for the politicians to say: 'I didn't want to do it but the Medicare board made me.'" Douglas Holtz-Eakin, the former CBO chief who advised John McCain's presidential campaign, is skeptical. "In the end I expect the Congress to legislatively overrule it when it becomes inconvenient," he says.

Changing budget rules and creating commissions, even a board with clout, doesn't guarantee that health-cost growth will actually be slowed or the deficit reduced. That takes political will. If Congress feels like it was bludgeoned into accepting IPAB as part of the health-overhaul imperative, it'll wiggle out of its board's recommendations when the shouting starts, changing or suspending the law if necessary.

But a few years from now, Congress may be forced by political or financial-market pressure to tackle the deficit and restrain health-care spending. If so, the IPAB may prove valuable, providing sound policies for changing the way health care is delivered as well as political cover.

Obama sets drilling plan

Expansion is part of a broader debate over climate and energy

By Ian Talley
And Stephen Power

WASHINGTON—The Obama administration unveiled an offshore-drilling strategy Wednesday that expands oil and natural-gas exploration off the Atlantic, eastern Gulf of Mexico and northern shores of Alaska.

The Interior Department said the new areas to be considered could hold as much as 80% of the undiscovered recoverable oil and gas on the U.S. outer continental shelf.

President Barack Obama said it was part of a broader energy strategy and called on federal lawmakers to work together to pass comprehensive energy and climate legislation to curb greenhouse gases.

By responding to a Republican rallying cry to "drill, baby, drill," the announcement gives the administration leverage to entice the GOP and moderate Republicans to support a bipartisan energy and climate proposal by a trio of senators. "I know that we can come together to pass comprehensive energy and climate legislation that will foster new industries and millions of new jobs protecting our planet and helping us become more energy independent," Mr. Obama said in a speech at Andrews Air Force Base in Maryland.

The administration is restructuring an existing 2007-2012 exploration and development program and drafting a new 2012-2017 schedule.

Getty Images

A PennzEnergy Co. platform in the Gulf of Mexico.

The Minerals Management Service estimates that the new areas may hold between 39 billion and 63 billion barrels of recoverable oil and 168 trillion to 294 trillion cubic feet of recoverable natural gas.

The administration plans to open a large swath in the eastern Gulf of Mexico off the coast of Florida, and will consider development in the mid- and south-Atlantic regions.

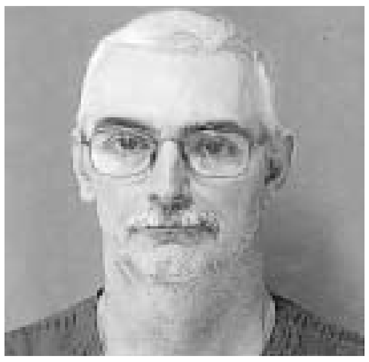
Mr. Obama and Interior Secretary Ken Salazar said the administration plans to keep off-limits until at least after 2017 the Pacific and Bristol Bay in Alaska.

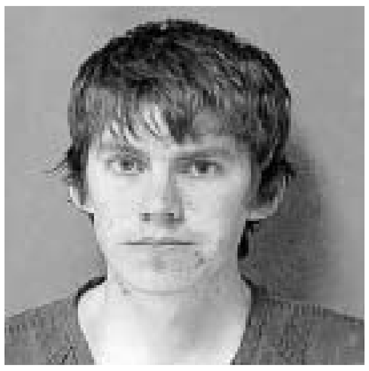
The president said the administration supports development of previously leased areas off the northern Alaskan slope, such as the Beaufort and Chukchi Seas, where **Royal Dutch Shell** PLC and **Conoco-Phillips** have spent billions of dollars for exploration rights.

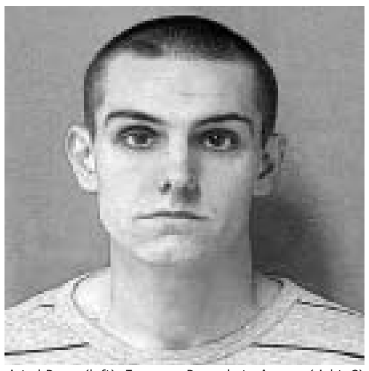
Mr. Salazar said the plan calls for four more lease sales in the Gulf of Mexico by 2012. In 2012, Interior said it plans to hold one lease sale off Virginia and another in the Cook Inlet in Alaska provided development can be done in an environmentally responsible manner. For the 2012-2017 program, Interior said it will consider lease sales in the mid- and south-Atlantic, and Beaufort and Chukchi Seas after conducting environmental scoping and public meetings.

Offshore drilling has taken on more importance in the broader debate over climate and energy legislation. The Obama administration and congressional Democrats are working with Sen. Lindsey Graham (R., S.C.) to draft legislation aimed at reducing U.S. emissions of heat-trapping gases. With several Senate Democrats expected to oppose such legislation, Mr. Obama needs Republican votes. Mr. Graham has said such a bill would have to include an expansion of offshore drilling.

Environmental groups and many Democrats from coastal states have opposed expanded offshore drilling, citing the environmental risks.







Associated Press (left); European Pressphoto Agency (right, 3)

The front yard of a trailer on property belonging to David Brian Stone Sr., leader of the Hutaree. Among those arrested were Mr. Stone, top right, David Stone Jr., middle, and Joshua Stone, bottom.

Militia chief's mistrust in U.S. built

Portrait of Michigan man who despised authority; undercover federal agent played a role in investigation

The leader of a Michigan militia group charged this week with conspiring to kill law-enforcement officers was described Tuesday as a private, family-oriented man who nurtured a festering mistrust of governmental authority, according to people close to the family.

*By **Alex P. Kellogg, Lauren Etter, Keith Johnson** and **Timothy W. Martin***

"On the inside of this man's brain, something evil lurks, and until you get to know him, you don't know it," said Andrea Harsh, who was engaged to David Brian Stone Sr. until the couple broke up last year.

She described Mr. Stone, a trim 45-year-old man who wears his whitish hair short over spectacles and a bushy gray mustache, as having a "bubbly personality." But he become consumed by the Hutaree, she said, a southeastern Michigan militia group that described its members as "Christian warriors."

In an indictment Monday, U.S. federal authorities named Mr. Stone as leader of the Hutaree and accused him and eight members with plotting to spark an uprising against the government by killing police. Along with Mr. Stone, seven other men and one woman from Michigan, Ohio and Indiana are in being held without bond on weapons and sedition charges.

The indictment said Hutaree had practiced attacks and other military maneuvers for more than a year, and had planned to kill a law-enforcement officer, then use homemade bombs to attack officers who attended the funeral.

An undercover agent played a role in the investigation that led to Monday's indictments. Grand jury testimony by a law-enforcement officer referred to an "undercover FBI agent" who worked on the case. The FBI declined to comment, but infiltration is a common tactic for law-enforcement officials targeting domestic militia groups.

Those charged in the case included Mr. Stone's current wife, Tina Mae Stone, 44; as well as two sons, David Brian Stone Jr., 19; and Joshua Matthew Stone 21. Attorneys for Ms. Stone, David Jr. and Joshua declined to comment Tuesday; the senior Mr. Stone had no attorney as of late Tuesday.

The Hutaree appears based at Mr. Stone's home, a pair of dilapidated house trailers in rural Clayton, Michigan—population 303—about 85 miles southwest of Detroit. The yard this week held three cars, a dog house, debris and a gun leaning on an old washing machine.

Family and acquaintances said Mr. Stone doesn't curse, smoke or drink alcohol and was a strict disciplinarian with his sons, whom he home-schooled from a young age. While he rarely attended church, he studied the Bible nightly, said Ms. Harsh, his ex-fiance. Several scripture passages appear on the Hutaree Web site.

On his page on the MySpace social-networking site, Mr. Stone, using the alias of "(RD) Merzonik," listed his interests as "GOD, Guns and Girls." He said he liked action and science-fiction movies and writes, "only dead people are true heroes ... so I guess I don't have any." He listed his hometown as, "Wasteland, America," and 73 MySpace friends include several state and county militias.

Mr. Stone is listed as a 1982 graduate of Sand Creek High School on an alumni Web site. Donna Stone, his ex-wife, said she met Mr. Stone in the mid-1990s when she worked at a deli counter and he was a customer. They enjoyed the movies, she said, and he was charming and funny. But Mr. Stone increasingly displayed a stubborn streak, as well as an affinity for guns. Ms. Stone, 44, said she left him after about a decade together. "When he went from handguns to big guns, I said, 'Enough,' " she said.

Ms. Harsh, 40, said she began dating Mr. Stone in 2008 after meeting him at a plastics-recycling factory where they worked. Mr. Stone showed her a Hutaree business card when they met, but otherwise said little about the group while they dated for several months.

After moving in together, Ms. Harsh said, he spent hours on the computer, building the group's Web site and searching online for weapons. "His life was pretty much consumed by the Hutaree," she said.

Mr. Stone despised authority, Ms. Harsh said, particularly "anyone with a badge." She said his temper finally drove her away last year. Mr. Stone remarried a few months later.

Ron Gaydosh, 62, said he had known Mr. Stone for more than 15 years and frequently invited the Stones over for barbecues. He described Mr. Stone as a "good guy," with "all-around good kids," and said the family enjoyed hunting, fishing and trapping.

He said Mr. Stone was easily upset by talk of the government. "Some of the things that upset Dave also upset me," said Mr. Gaydosh, who belongs to another militia group with no ties to Hutaree. They frequently discussed survivalist techniques and poked fun at government officials, he said, but "there was never any violence planned."

Mr. Gaydosh said Mr. Stone didn't like law-enforcement officials driving by and shining lights at Mr. Stone's house, adding that he always referred to police as "feds." Mr. Stone also didn't like neighbors complaining about his target shooting, Mr. Gaydosh said.

It isn't clear whether Mr. Stone had money troubles. Ms. Harsh said he was working at Demlow Products, an auto-industry supplier in Clayton; a person who answered the phone at the company declined to comment. Mr. Stone and his ex-wife, Donna Stone, filed for Chapter 7 bankruptcy protection in 1999.

During the past couple of years, Mr. Stone attracted more Hutaree members, Ms. Harsh said: "His goal was to have all of the states have at least one group of Hutaree."

But he scared off some potential recruits. Jon Killman said he visited Mr. Stone and his sons in December because he was interested in joining a militia to practice survival skills.

He said Mr. Stone was a gracious host and offered him coffee. But soon Mr. Killman "got a bad vibe" as the Stones started joking about police officers who had been shot in a coffee shop in Washington state.

The family's dining-room table was strewn with shotgun shells, Mr. Killman recalled. The elder Mr. Stone said the shells would be filled with gunpowder and tied to trip wires to simulate landmines.

At first "they just seemed like a down-to-earth hillbilly family," he said. "After 20 minutes into the meeting, I realized these guys are not dealing with a full deck."

Matt Savino, commander of the Lenawee Volunteer Michigan Militia near Mr. Stone's home, said in recent months Mr. Stone became "paranoid" and began asking other militia groups to join in military exercises.

Mr. Stone began talking more about how "the federal government was coming down on them" and the need to be on the offensive and retain the element of surprise, Mr. Savino said. Ms. Harsh said Mr. Stone "always thought he could hide from the government. He thought he was invincible."

—James Oberman contributed to this article.

WORLD NEWS

Aviation talks hinge on subsidy curb

Negotiations to limit government role in sales financing are hamstrung by rise of newer rivals in Canada, Brazil

A scale model of a CS100 Bombardier airplane

Clearing the air | Global rules for government support to airplane exports are still a work in progress.

1984	1986	2004	2007	2009	2010
Pan Am places giant Airbus order. European export-financing sparks dispute with U.S.	U.S. and European governments agree to limit export-credit financing for jets worldwide. Boeing and Airbus also agree not to seek export support in their "home markets."	Talks to renegotiate limits on export-credit financing start in Paris, including regional-jet makers from Canada, Brazil and Japan.	Aircraft Sector Understanding agreed, setting different terms for large and regional jets.	Canada's Bombardier starts selling planned CSeries jetliner, blurring the line between regional and large jets. U.S. and EU say proposed financing violates ASU.	ASU talks re-open, aiming to agree common terms for all plane sizes.

Sources: Airbus; Boeing; Organisation for Economic Co-operation and Development
Photo: Reuters

By Daniel Michaels

International negotiations to limit billions of dollars in government funding for big airliners are facing a snag over how the rules will be applied to new jet makers, potentially increasing financial uncertainty for struggling airlines and sparking subsidy wars.

The dispute pits Airbus and **Boeing** Co. against Canada's **Bombardier** Inc. and other makers of small jetliners. The two giants want these aspiring rivals to follow an informal agreement that has governed Boeing and Airbus sales in the U.S. and Europe for almost 25 years, but the upstarts are balking, according to people familiar with the matter.

The dispute is emerging now partly because jetliner sales competitions—including an order expected this year from **UAL** Corp.'s United Airlines—are ratcheting up rivalries amid the economic crisis.

At the same time, airplane export-financing rules are being renegotiated by trade officials from the U.S., the European Union, Canada and Brazil, the home markets of the world's top jetliner manufacturers. Governments from the countries last year supported with export-credit financing more than $20 billion of jetliner sales, or roughly 30% of all jetliners delivered.

Export-credit loans or loan-guarantees are offered by governments to foreign buyers of the country's products or services. Such financing for jetliners is limited under the Aviation Sector Understanding, a government pact agreed to in 2007 through the Organization for Economic Cooperation and Development in Paris.

The ASU attempts to neutralize export credit as a competitive tool by obliging rivals to offer identical terms. Without it, governments could try to help their jetliner exporters by trumping each other's support.

The agreement was set to replace a more limited pact between the U.S. and Europe from 1986 that expires at the end of this year. But jetliner financing complexities forced participants last month to reopen talks on the ASU.

Now, the ASU negotiations are threatened by separate disputes over the expansion of a related pact between Boeing and Airbus, a unit of **European Aeronautic Defence & Space** Co. The pact is an unwritten side agreement not to use export-credit financing in each other's home market.

The handshake deal, known as the home-market rule, was struck in the 1980s because the world's two makers of big jetliners don't get export support in their home countries. Without the pact, each producer could gain an advantage by using export-credit financing in the other's home market.

Now, Bombardier is starting to produce planes that will for the first time compete directly against models from Boeing and Airbus. Bombardier has long produced smaller, regional jets that receive more advantageous terms under the ASU—and Canada never agreed to the home-market rule.

As a result, officials from Airbus, Boeing and their respective governments worry that Bombardier will get a sales leg up where the three compete. Bombardier's unwillingness so far to agree to the home-market rule is riling U.S. and European negotiators at the ASU talks in Paris, say the people familiar with the matter.

"It is a potential iceberg in the whole ASU negotiations," said Chris Partridge, director of asset finance and leasing at Deutsche Bank AG.

The dispute comes at a difficult moment for the two aerospace giants. Bombardier's new models, dubbed the CSeries, are forcing Airbus and Boeing to consider expensive modifications to their competing jets just as both face budget overruns on other planes.

Separately, nine major European airlines from Airbus's home countries—France, Germany, Britain and Spain—have complained that the home-market rule unfairly penalizes them. Rivals in other countries from Ireland to Qatar can tap export-credit financing, while the nine carriers, including Deutsche Lufthansa AG and British Airways PLC, cannot.

Airbus and Boeing are particularly concerned about the financing threat from Bombardier and other potential competitors from Brazil and China, which also don't follow the home-market rule.

A spokesman for Boeing said the company has expressed "concern" to authorities regarding "whether new entrants into the market will observe the home-market rule agreement as the U.S. and Europe have for 25 years."

The home-market rule isn't officially being discussed in the ASU talks. But at a recent conference on aviation finance in Geneva, people involved said the two issues have become so intertwined that the ASU talks cannot succeed without resolution of the home-market rule.

Canadians haven't yet staked a public position. A spokeswoman for Bombardier said the use of export financing would be a choice taken by airlines and EDC, the Canadian export agency.

A spokesman for EDC said "we expect we will participate with Bombardier" in CSeries sales, but financing decisions would come closer to delivery of the planes, targeted for 2013.

"EDC is a signatory to the ASU, and whatever decision they come up with, we will abide by," the spokesman said.

But competitions such as United's expected order are now "a catalytic factor," said Nigel Taylor, senior vice president for customer finance at Airbus.

A spokeswoman for United said "certainly financing would be a consideration in any potential order." The tender hasn't officially begun.

Industry officials worry that if the ASU talks founder, jetliner financing terms will become uncertain, hurting sales.

"We've got a window to solve this by the end of the year," said Mr. Taylor at Airbus.

Pakistan asks Swiss to open Zardari probe

By Zahid Hussain

ISLAMABAD—Pakistan's anticorruption agency on Wednesday asked Swiss authorities to reopen a graft investigation of President Asif Ali Zardari on the orders of the country's top judge.

The move ratchets up the battle between Mr. Zardari and Supreme Court Chief Justice Iftikhar Mohammed Chaudhry, whose court in December overturned a 2007 amnesty that shielded the president and thousands of other politicians from corruption investigations.

Geneva's public prosecutor Daniel Zappelli said Wednesday that Swiss authorities hadn't yet received the Pakistani request, adding that he couldn't reopen the case against Mr. Zardari because he enjoys immunity as a head of state, the Associated Press reported.

Mr. Zardari spent 11 years in prison in Pakistan on corruption allegations, but he hasn't been convicted in a Pakistani court. He has consistently denied allegations.

In 2003, a court in Geneva found Mr. Zardari and his wife, former Prime Minister Benazir Bhutto, guilty of laundering kickbacks from a Swiss company, but the verdict was overturned on appeal. A subsequent Swiss investigation into the allegations was dropped in 2008 at the request of Pakistan, following the amnesty decree.

But since Pakistan's Supreme Court struck down the decree in December, it has been pressing Pakistan's National Accountability Bureau anticorruption agency to revive case files of the thousands of politicians and former officials who had been shielded by the amnesty.

Mr. Chaudhry on Tuesday gave agency Chairman Naveed Ahsan 24 hours to reopen the case against Mr. Zardari or face jail. Mr. Ahsan said on Wednesday he had sent a letter to Swiss authorities asking for the reopening of the investigation of money-laundering allegations against Mr. Zardari.

Mr. Chaudhry this week also questioned Mr. Zardari's immunity to prosecution as a head of state, saying neither the president nor any government representative has yet to claim exemption before the court.

Farah Ispahani, a spokeswoman for the president, said the president has immunity at home and abroad from prosecution.

The fight between Mr. Zardari and an increasingly muscular judiciary threatens to mire Pakistan in political infighting and could further weaken the president of a nation that is a vital U.S. ally in fighting the Taliban and al Qaeda.

Mr. Chaudhry rose to prominence in 2007, when he was fired and put under house arrest by then-President Pervez Musharraf. A lawyers' movement took to the streets to protest the move, destabilizing the government. Mr. Musharraf was forced to step down in 2008. Lawyer protests in March, 2009 forced his successor, Mr. Zardari, to allow the reinstatement of Mr. Chaudhry and dozens of other fired judges.

WORLD NEWS

Associated Press

An Internet café in Hanoi on Wednesday. Officials say about 25% of Vietnam's 86 million people regularly surf the Web,

Vietnam's cyberspies

Google and McAfee say malicious software was used on dissidents

By James Hookway

Security engineers at **Google** Inc. and computer security company **McAfee** Inc. said malicious software was used to spy on government critics in Vietnam in what analysts suspect is an effort by Hanoi to quash online dissent.

A posting on Google's online security blog Tuesday said the software has targeted "potentially tens of thousands" of people who downloaded software enabling them to type in Vietnamese, and that the software was used by unknown persons to attack blogs criticizing government policies.

"Specifically, these attacks have tried to squelch opposition to bauxite mining efforts in Vietnam, an important and emotionally charged issue in the country," wrote Neel Mehta, a Google engineer.

McAfee went further, saying on its security blog that the software is an example of a politically motivated cyber attack. McAfee Chief Technology Officer George Kurtz wrote on the blog Tuesday that the perpetrators "may have some allegiance to the government of the Socialist Republic of Vietnam."

Vietnamese government officials didn't respond to requests to comment, and it was unclear who was behind the attacks. A Google spokesman declined to comment beyond the blog post. McAfee officials couldn't be reached.

The attacks mirror a recent series of similar incidents in China, leading some analysts to suggest that Vietnam—which has launched a crackdown on dissidents in recent months—was copying China's tactics in neutralizing the Internet as a tool for antigovernment activists.

"Vietnam is very keen to learn what China is doing to suppress dissent, and there is a close link between the public security ministries in both countries," said Carlyle Thayer, a Vietnam expert and professor at the University of New South Wales in Canberra.

Google in January publicized what it said was a series of attacks on accounts on its Gmail email service belonging to journalists and human-rights activists in China, as well as a hacking attack on it and other companies. Amid concerns about censorship, Google last week decided to move its Chinese-language search operations to Hong Kong.

While the Vietnam attacks weren't as sophisticated as those in China, Google's Mr. Mehta wrote, they represent an example of how political expression is vulnerable to the deployment of malicious software and other hacking techniques.

Internet use in Vietnam has mushroomed in recent years. While initially welcoming this rush of online activity, Vietnam's authorities have shown their concern about how it can be used to spread criticism of government policies and agitate for democracy and other reforms.

"The regime has discovered there is a whole flank they can be outmaneuvered on so they have come in hard. Their policy is to seize the initiative in the cyber domain and crush all opposition," Mr. Thayer said.

Last year, government officials instructed Internet service providers to block access to the social-network site Facebook, according to people familiar with the situation.

Separately, the government has jailed around a dozen human-rights activists recently in a coordinated crackdown on dissidents, analysts and diplomats say.

Police last year detained several bloggers for criticizing the government's plans to develop the mine in conjunction with Chalco, a unit of China's state-run Aluminum Corp. of China.

Critics are concerned about environmental damage resulting from surface mining for bauxite, an ore used in making aluminum.

Google's Mr. Mehta said computers attempting to download the keyboard software were infected with the malware. "These infected machines have been used both to spy on their owners" as well as render inaccessible blogs and Web sites containing antigovernment content, he wrote.

New Nigeria cabinet seals shift in power

By Will Connors

LAGOS, Nigeria—The Nigerian Senate confirmed acting president Goodluck Jonathan's 38 cabinet nominees Wednesday, including a managing director of Goldman Sachs' London office, effectively sealing Mr. Jonathan's place at the helm of Africa's second-biggest economy.

The cabinet overhaul provides further stability to Nigeria, which was left largely rudderless since ailing President Umaru Yar'adua fell out of public view in November and was out of the country for 2½ months for medical treatment. Vice President Jonathan's appointment as acting president in February was initially resisted by those close to Mr. Yar'adua, who returned to Nigeria later that month.

Wednesday's confirmations appeared to include an effort by Mr. Jonathan to smooth relations with the Yar'adua camp: His retooled cabinet included 13 returning members from his predecessor's cabinet as well as Murtala Yar'Adua, a nephew of Mr. Yar'Adua.

It remains unclear exactly what portfolio the younger Mr. Yar'adua or other cabinet members will take. Nigeria's Senate approves nominees, who are only later assigned portfolios.

The key position of finance minister is widely expected to fall to Nigeria-born investment banker Segun Aganga, managing director in hedge funds at Goldman Sachs since 2003.

Mr. Aganga, who has maintained close ties to Nigeria, is considered likely to back transparency and anticorruption efforts, say those who know him. Mr. Jonathan, in recent speeches, has set out an ambitious reform agenda for the troubled oil-rich nation.

"Goodluck is the only game in town," said Sam Amadi, head of policy at Nigerian think tank the Good Governance Group.

But Mr. Amadi and others say that while Mr. Jonathan will enjoy public support, his team of largely familiar Nigerian political figures will make it unlikely that he will be able to pursue ambitious reform goals. "The hope of transformation is almost lost," Mr. Amadi said.

Mr. Jonathan also appears to have less than a year to work. An informal but closely followed agreement among ruling-party leaders stipulates that power must shift between politicians from the country's Muslim north and predominantly Christian south every eight years.

Mr. Yar'Adua, from the north, is serving his first four-year term. Mr. Jonathan is from the south. Elections are due in early 2011.

Mr. Jonathan's key cabinet appointment is likely to be Mr. Aganga, the Goldman executive, the expected finance minister. "I doubt if someone at his level would come back just to be the [junior] finance minister," Lamido Sanusi, the governor of the Central Bank of Nigeria, said in an interview.

Mr. Aganga would be taking control of a shaky economy. Nigeria is almost wholly dependent on oil exports and still recovering from low oil prices. A banking sector crisis in 2009 led to a $4 billion bailout of nine banks last summer. The country's stock market, once among the world's best performing, was among the world's worst in 2009.

Those who know Mr. Aganga say he would help bring some credibility back to a banking system that has been on the mend. Under Mr. Sanusi, the central bank chief, the government has released the names of top debtors to the bailed-out banks, a list that included some of the wealthiest and most high-profile Nigerians. Mr. Sanusi said he would expect Mr. Aganga to back his transparency and anticorruption efforts. "He would support everything we're doing to restore confidence in the banking system," Mr. Sanusi said.

Mr. Aganga has maintained close ties to Nigeria. He founded an influential leadership group, the Nigerian Leadership Initiative, a member of the Aspen Global Leadership Network, and as a board member of TechnoServe, a Washington-based nonprofit that works with entrepreneurs in developing economies, including Nigeria.

At a conference of Nigerian professionals in London last year, Mr. Aganga reminisced about his childhood and his desire to bring change to his home country.

"Any behavior that would bring disrepute to the family was completely unacceptable," he said. "It was a taboo to steal; it was a bigger taboo to be known to be corrupt."

He recalled what he learned from his childhood that could guide his country forward. "For decades and decades we all failed to take responsibility," he said. "But we can fix it, and we can fix it now."

Turkey's economy bounces back

By Marc Champion

ISTANBUL—Turkey's gross domestic product bounced an unexpectedly high 6% in the fourth quarter, a stellar performance given the woes afflicting other economies in the region, such as Greece.

At the same time, the Turkish Statistics Institute reported Wednesday, Turkey's trade gap widened more than expected, to $3.3 billion in February.

With the trade gap widening, unemployment high, and government spending and political tensions on the rise, analysts urged caution about reading too much into Wednesday's growth figures.

The Statistical Institute reported that GDP rose 6% in the last three months of the year compared with the same period in 2008, easily beating the 4.5% consensus forecast. The fourth quarter fillip also improved the country's overall growth figure to a decline of 4.7% in 2009, rather than the 6% contraction previously forecast.

That's a remarkable turnaround from the 14.5% drop in GDP Turkey registered in the first quarter last year, one of the worst in the world. The main component in the fourth quarter improvement was domestic demand—up 4.7%. "We may have to increase our forecast for growth in 2010 from 5.4%, which was already above consensus," said Ilker Domac, Istanbul-based head of regional economic research for Citigroup, after the GDP release.

The global financial crisis interrupted an impressive run of growth in Turkey, which began after 2001 when the economy suffered a homegrown banking collapse and a 5.7% contraction. The banking reforms that emerged from that experience, as well as solid fiscal policies from the government, stood the country well in the current crisis, analysts say. Turkey's government hasn't had to bail out any banks and the sector remains healthy.

But Wednesday's impressive growth figure "probably overstates the underlying health of the economy," London-based analysts Capital Economics said in a research note, forecasting that Turkey will grow by 4% this year, and the same in 2011.

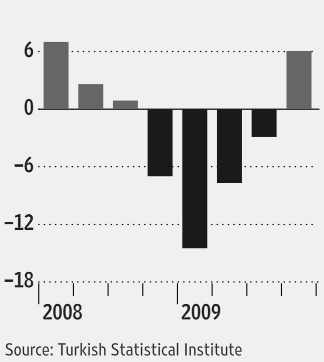
The trade gap is a recurring concern for Turkey, which imports nearly all its oil and natural gas, as well as raw materials for the goods it processes and exports, economists said. Even stripping out energy, imports rose by $1.3 billion in February, compared with a year earlier, while exports fell by $1.3 billion.

Mr. Domac cautions that taken together with Turkey's decision not to accept a stand-by loan from the International Monetary Fund, the trade gap could worry investors.

Turkish rebound

Growth in Turkey's economy, one of the worst hit in fallout from the global financial crisis, is bouncing back

Gross domestic product, quarterly change



Source: Turkish Statistical Institute