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THE BIG READ 14-15

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BUSINESS & FINANCE 17

THE WALL STREET JOURNAL.

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Greece confident about aid

By Geoffrey T. Smith
And Adam Cohen

Greek Finance Minister George Papaconstantinou said Sunday that he expects final terms and conditions of an aid package for Greece to be ready by early May and that it will be acceptable to all his partners in the euro zone, including Germany.

After weeks of speculation and increasing signs of panic in financial markets over Greece's ability to get its public debt under control, the country finally asked its partners in the euro zone and the International Monetary Fund on Friday to activate a €45 billion ($60 billion) support mechanism.

"We're all confident that this will be done in time and that we will be able to finance Greek public debt without any problem," Mr. Papaconstantinou told a briefing. "Early May is a good ballpark figure."

He also said bridge financing could be available if necessary. Greece has a €8.5 billion debt repayment due May 19.

Meanwhile, German Finance Minister Wolfgang Schäuble said Germany hasn't made a decision yet on aid for Greece.

"The fact that neither the EU nor the [German] government has reached a decision yet means [the verdict] could be positive or negative," Mr. Schäuble told German tabloid Bild am Sonntag.

Mr. Schäuble told another German newspaper, Frankfurter Allgemeine Sonntagszeitung, that Greece will receive loans only if it promised additional austerity measures for 2011-12. Also, EU heads of government will release the funds for Greece only if the European Central Bank concludes that the stability of the euro would be endangered otherwise, Mr. Schäuble said.

The bailout package for Greece is widely unpopular in Germany and the Berlin government is at pains to show voters that it is making tough demands on Athens in exchange for the aid.

Mr. Papaconstantinou stressed that Germany had signed up for the program with its euro-zone partners in March. That program required a unanimous decision by the euro zone's heads of government.

He ruled out the possibility of restructuring of Greece's public debt, and the possibility of being forced to leave the euro zone.

"Greece is a member of the euro zone, will always remain a member of the euro zone, will always remain a member of the European Union, full stop," Mr. Papaconstantinou said. He acknowledged that Greece still had work to do to convince the markets of its progress, but said that those

Please turn to page 4

Reuters

Ethiopian, Russian win in London

Tsegaye Kebede of Ethiopia won the London Marathon on Sunday, ending a six-year winning streak for Kenyan runners, while Liliya Shobukhova led a Russian one-two in the women's race.

The 23-year-old Mr. Kebede ran the 26.2 miles in 2 hours, 5 minutes, 19 seconds—more than a minute ahead of Emmanuel Mutai of Kenya. Jaouad Gharib of Morocco was third. Rain slowed Mr. Kebede, he said after the race.

Ms. Shobukhova, 32, became the first Russian woman to prevail in London, holding off compatriot Inga Abitova. Ms. Shobukhova's time was 2 hours and 22 minutes.

The Quirk

Meteorite hunters jockey to find chunks potentially worth thousands Page 29

World Watch

A comprehensive rundown of news from around the world Pages 30-31

Editorial & Opinion

Daniel Gros: The euro could survive a Greek default. Page 13

Clegg starts jostle for positions

By Alistair MacDonald
And Laurence Norman

As Britain's tight election campaign moves the country ever closer to a possible minority government, party leaders are jockeying to establish grounds for collaboration after the three-way election race.

The loudest shot this weekend was fired by Nick Clegg, leader of the No. 3 Liberal Democrat Party, who is beginning to flex his muscles in the wake of a surge in popularity after star-making performances in the U.K.'s first two televised political debates. Mr. Clegg said on Sunday he wouldn't join a government led by Labour Prime Minister Gordon Brown if Labour finished third in the overall vote in the May 6 election—a declaration that could dramatically narrow Mr. Brown's avenues for remaining prime minister.

Mr. Clegg's words carry greater weight than ever, with some opinion polls showing his party has risen to second place—below the front-running Conservative Party, but ahead of the ruling Labour Party. That has thrust Mr. Clegg into the role of possible kingmaker in the event—growing in likelihood—of a so-called hung Parliament, in which no party wins a majority of seats.

Conservative leader David Cameron was doing some maneuvering of his own. In an interview with the Observer newspaper, he repeatedly refused to rule out in a Tory-led government something his party had routinely rejected in the past—sweeping electoral reforms that the Liberal Democrats would likely make a condition of collaboration in the event of a hung Parliament.

Analysts say the Conservative Party fears the sort of proportional electoral system demanded by Mr. Clegg because it could lead to an increase in minority governments—which haven't been seen in Britain in more than three decades—and could see the Tories frozen out through

Please turn to page 6

U.K. Election 2010
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17

PAGE TWO

A successful restructuring in Greece may leave a weaker Europe economy

[Agenda]

By Irwin Stelzer

It matters little in the long run whether Greece's euroland colleagues and the International Monetary Fund agree to the requested €45 billion bailout—€30 billion from the euro-zone countries, €15 billion from the IMF. Even if the deal gets done, the bailers will have applied only a Band-Aid to a hemorrhage.

The loans would do little more than buy some time before Greece is forced to restructure—the polite word for a partial default—on its massive and rising debt.

The country, now thought to have a deficit of close to 14% of GDP, has spilled and continues to spill too much red ink to be able to meet its obligations, on the best assumptions about budget cutting, growth, tax collections, the generosity of its fellow euro-zone members, and the ability of the IMF to impose draconian cost cuts on the Greek polity.

But even a successful restructuring would leave in its wake a seriously weakened European economy. The gaggle of agencies that will now involve itself in the making not only of Greece's but also other nation's economic policies is likely to be so unwieldy as to produce something between sluggish responses to economic developments and paralysis. IMF Managing Director Dominique Strauss-Kahn will want to demonstrate the sort of financial skill that will increase his chances of unseating Nicolas Sarkozy when the French presidential elections roll around in 2012. Jean-Claude Juncker, president of the eurogroup finance ministers, now has an excuse to dabble in national budget-making. Olli Rehn, the EU's economic and monetary-affairs commissioner, is demanding an "audit like" right to review national budgets before they are submitted to national legislators. There are others, but you get the idea: Rapid decision making is not in the euro zone's future, just when the pace at which markets react to news is accelerating.

Reuters

IMF Managing Director Dominique Strauss-Kahn (right) with Nicolas Sarkozy.

No one expects euroland as a whole to grow at a long-term annual rate close to that of the U.S. and China.

More important, it is not clear that the social fabrics of Greece and several other countries can survive the deflation that will come on the heels of the IMF clampdown on spending. Restructuring means Greece's creditors, most notably the European banks that hold billions of dicey Greek government paper, will take big write-downs. That will force them to cut back on their lending, stifling growth in all of euroland, even in countries that haven't let their budgets get out of control.

Besides, nothing now in sight addresses the fundamental problem: The Greek economy, burdened by high labor costs, low productivity, and burdensome regulation simply can't compete in a globalized world. This wouldn't matter much were it not true of other euro-zone economies. It is now fashionable to say that the southern euro zone consists of profligate, laggard economies such as Greece, Spain and Italy, while the northern euro zone is home to sound, efficient economies.

There is some truth to that, but only some. The northern tier is indeed efficient by comparison with the southern tier. But, the current recovery in France and Germany notwithstanding, no one expects euroland as a whole to grow at a long-term annual rate close to that of the U.S. and China. Europe's failure to reform its labor markets and welfare states will inevitably become an irresistible drag on growth.

Doubt that and consider a new study by James Heckman and Bas Jacobs, professor of economics at the University of Chicago and professor at the Erasmus School of Economics in the Netherlands, respectively. In their careful and equation-laden study ("Policies to Create and Destroy Human Capital in Europe"), prepared for the nonpartisan National Bureau of Economic Research, they find, "High marginal tax rates and generous benefit systems reduce labor force participation rates and hours worked and thereby lower the utilization rate of human capital."

A better description of conditions in most European countries would be difficult to find. So it seems likely Europe will be an economic laggard long after the Greek problem is solved, if the injection of new layers of bureaucracy and the imposition of deflationary policies can be classified as a solution.

The political dissatisfaction produced by these circumstances will be exacerbated by the superior performance of other sectors of the global economy. The Chinese, ever eager to point out that their state-managed economy is turning in a performance that tops that of the West, are already letting it be known that they are writing Europe off and have no intention of making major investments there. Their cash is flowing to Brazil, Africa, the Middle East and, if truth be told, the U.S.

Meanwhile, the American economy is picking up steam. The consumer has come out of hiding, sales of tax-advantaged existing and new homes are up, corporate profits are exceeding expectations, and even the auto industry is seeing better days. Inevitably, Europeans will wonder whether the euro, a currency concocted by politicians more intent on European integration than on creating a sustainable currency, and the growth-stifling eurocracy, might just be the reasons for their inability to keep pace with faster-growing countries.

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

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"What is said after an election will matter far more to the markets than anything before."

David Cottle on the lack of discussion about economics among U.K. leaders

Continuing coverage

Follow developments as Greece moves to activate a bailout to tackle its debt crisis, **wsj.com/greekdebt**

Question of the day

Vote and discuss: Do you still expect Greece to default on its debt?

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Previous results

Q: Who won the second televised debate among the U.K.'s party leaders?

Gordon Brown	16%
David Cameron	14%
Nick Clegg	70%

What's News

■ **Viktor Orbán** and his center-right Fidesz Party won Hungary's runoff election, giving the new government sweeping powers to carry out promises that include cutting taxes and streamlining the nation's civil service. 5

■ **Portugal has come under** pressure in financial markets, prompting concern that it could be the next euro-zone country to buckle under the weight of public debt. 4

■ **Support for a global** bank tax to cover the cost of future financial crises appeared to be losing steam after discussions among finance ministers and central bankers. 9

■ **The oil well connected** to a drilling rig that sank in the Gulf of Mexico is gushing crude oil, reviving fears that an environmental disaster could be in the making. 17

■ **Car-rental company** Hertz plans to acquire rival Dollar Thrifty for $1.27 billion in cash and stock. 18

Inside

Browser add-on iCyte helps you turn a Web page into a keeper. **27**

Scots get no kick out of the poor quality of their football. **28**

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NEWS

Greenland expands oil exploration

By Spencer Swartz

NUUK, Greenland—Oil, one way or another, promises to transform this barren ice mass.

For years, many Greenlanders and scientists have blamed the burning of oil and other fossil fuels for rising temperatures that have caused Greenland's huge ice cap to recede and its building-size offshore glaciers to crack apart.

Yet the slow-speed meltdown has also helped to create a huge opportunity for the oil industry, opening more of this North Atlantic island's coastal areas for exploration and making it possible for boats to navigate and for drilling rigs to be planted in new offshore regions.

Starting around July, U.K. oil company **Cairn Energy** PLC is set to drill the first exploration well in Greenland in a decade, which analysts say may turn up sizable quantities of crude.

Greenland's government is also slated this summer to award as many as 14 new oil-exploration licenses off its northwest coast to firms likely to include major U.S. and European oil companies.

The U.S. Geological Survey estimates Greenland may have the equivalent of about 50 billion barrels of oil, which could put it roughly in the same league as Libya.

Realizing just a fraction of those potential reserves could prove transformational for Greenland, an island three times the size of Texas with a population of just 56,200, where vast sheets of ice cover 80% of its territory much of the year.

The island has extensive self-governance since gaining home rule in 1979 from its former colonial parent, Denmark. But Greenland, which relies on shrimp and fish for most of its exports, still depends on Denmark for an annual subsidy of 3.2 billion Danish kroner (about $576 million) that accounts for roughly 30% of the island's economy. Hitting an oil jackpot would raise hopes here of eventually breaking that financial dependence and putting Greenland on a path toward full independence, say some government officials and Greenlanders.

Greenland's oil potential has long been rumored but never realized. In most offshore areas, where exploration has focused, drilling can only occur around four months of the year because of the long, harsh winters. All equipment must be imported. Giant icebergs can pose threats to drilling rigs, although officials say satellite technology can be used to warn rig operators of approaching icebergs.

Developing oil in Greenland requires an oil price of at least $50 a barrel for companies to operate at reasonably profitable rates, versus $5 to $10 a barrel in Libya, according to analyst estimates. U.S. benchmark-crude prices have exceeded $80 a barrel in most of the past two months. Since the 1970s, companies including **Chevron** Corp. and **Statoil** ASA of Norway have tried finding crude here, but left after weaker oil prices made exploration uneconomical.

But higher oil prices in recent years have changed the drilling equation in Greenland. U.S. and European oil companies are in need of new oil prospects as they are mostly unable to drill in places like the Middle East, or operate in such regions at paltry profit margins.

Hans Kristian Olsen, head of the island's government-run oil company, **Nunaoil**, says offshore drilling technology and techniques today among oil companies are more advanced than during previous failed efforts. More is known about where exploration should be targeted, such as Baffin Bay in northwest Greenland, where companies hope to win licenses for the 14 fields on offer. "We feel more confident about our oil prospects today," Mr. Olsen says.

Oil analysts say Greenland has offered foreign companies contract terms that are more attractive relative to nations in the Middle East, where oil is much easier geologically to exploit. The Greenland government will get as much as 60% of any oil profit, but that is much less than the 95% to 98% profit take that Iraq's government will get from recent contracts it signed with foreign oil companies. Greenland's government last year established a sovereign wealth fund to manage future crude revenue.

Some Greenlanders aren't keen on the oil-drilling plans. "We're already experiencing climate change because of the burning of fossil fuels, so why are we trying to produce the same fuels?" asks Alfred Jakobsen, head of Greenland's main fishermen's association, Knapk, which also worries about the possible impact drilling may have on the island's thriving fishing industry. Mr. Olsen and other Greenland officials say those fears are overblown.

Some scientists, such as Paul Batty at Greenland's Climate Research Center in Nuuk, say the melting ice is also the result of natural variations in the Earth's climate.

Cairn Energy is scheduled to drill as many as four exploration wells off Greenland's west coast. Other companies could soon follow if Cairn finds enough commercially recoverable oil, analysts say. **Exxon Mobil** Corp. is among a small number of other companies with drilling stakes here but it has yet to start drilling.

Oswald Clint, a senior analyst at Sanford Bernstein, says one relatively small commercial oil discovery for Cairn of 300 million barrels, if realized, could be worth around £1 ($1.54) a share for the company, based on his own financial assessment. Cairn shares currently trade on the London Stock Exchange at just over £4. Mr. Clint doesn't own Cairn stock.

Mr. Clint says Greenland's oil quest could turn out positively this time, because companies will drill in deep areas of so-called Cretaceous-aged sedimentary rocks that weren't tested in previous drilling campaigns. That type of geology has yielded huge offshore oil discoveries in places like Brazil and Ghana.

For now, Greenland's oil industry is tiny. Any oil industry that develops here will rely almost fully on foreign workers for some time. Government-run Nunaoil has seven employees, including just one oil geologist, and one of its main tasks is assessing Greenland's oil-bearing potential, not oil drilling.

Those labor deficiencies reveal deeper problems in Greenland: Barely one-third of the small population has an education level above elementary school, according to studies. The island has high rates of alcoholism and suicide among young men. Such problems, says Birger Poppel, a social scientist at the University of Greenland, raise doubts that Greenland would be able to handle all the responsibilities of full self-determination in the near term.

Cairn Energy

A Cairn Energy ship along the coast of Greenland. The U.K. company is to begin drilling exploration wells this summer.

Aid for Greece comes with strings, and doubts

Most aid packages led by the International Monetary Fund come with conditions, and Greece's are expected to be larger than most . . .

Hungary
$16.2 billion
Approved: November 2008
Policy changes: Paring the budget deficit in part through sweeping pension-system overhaul, including cutting a bonus payment—known as the '13th month'—to retirees

Ukraine
$16.9 billion
Approved: November 2008
Policy changes: Passing financial-overhaul legislation and scrapping a planned increase in public spending; stabilizing the financial system and moving the currency, the hyrvnia, toward a more flexible exchange rate to better sustain economic shocks

Romania
$17.5 billion
Approved: May 2009
Policy changes: Enacting fiscal reforms amounting to 1.1% of gross domestic product including a sharp cut in public-sector personnel spending; revamping the banking law to strengthen the central bank and its ability to manage liquidity

Poland
$21 billion
Approved: May 2009
Policy changes: Flexible line of credit rather than a loan with host of IMF conditions; as of March 18, untapped by Warsaw

Greece
$60 billion
Approved: (Under discussion)
Policy changes: While many expect the IMF to set out stringent conditions for its aid, Greece already is carrying out an austerity plan that includes tax increases and spending cuts, such as freezing public-sector pensions.

Sources: International Monetary Fund; staff reports

. . . as is its debt.

Forecast of 2014 debt-to-GDP ratio

Italy	126%
Greece	116
Belgium	109
Portugal	102
France	100
Ireland	89
Spain	81
Germany	74

Note: assumes no Greek default
Source: Ernst & Young

Economists minimize Portugal woes

Rising bond yields reflect concern about public debt, but analysts say country's problems don't match Greece's

By Brian Blackstone

Portugal has come under pressure in financial markets in the past week, prompting concern that it could be the next euro-zone country to buckle under the weight of public debt.

But many economists say Portugal, despite its problems, is better-positioned to fix its finances than Greece and is unlikely to slide into a debt crisis like Greece's.

The yield on Portugal's 10-year government bonds topped 5% Friday, up from around 4.6% at the start of the week, as investors demanded a higher risk premium for holding the country's debt.

Portugal's rising bond yields, which will push up its borrowing costs, reflect markets' growing scrutiny of the weaker economies in the 16-nation currency zone amid Greece's struggle to refinance its debts.

Greece and Portugal, which together account for less than 5% of the euro zone's gross domestic product, both face years of feeble growth held back by high public debt, low productivity and aging populations.

In both countries, businesses and consumers also have heavy debts that make them vulnerable to economic shocks and the changing tastes of global investors.

Still, worries that Portugal might need a Greek-style bailout are overblown, many investors and analysts say, thanks to Lisbon's lower borrowing needs and greater credibility with financial markets and the EU.

Portugal "is not yet playing in the same league as Greece," says Carsten Brzeski, an economist at ING Bank in Brussels.

Portugal's borrowing costs may be rising, but they aren't leading to a pressing liquidity shortfall, as in Greece's case, Mr. Brzeski says.

The yield on Greek 10-year government bonds rose to 8.7% last week from about 7.4% the prior week, prompting Greece's request Friday for an aid package of as much as €45 billion ($60 billion) from the European Union and the International Monetary Fund.

Portugal's predicament appears significantly less acute. Its overall public debt is close to 80% of GDP, while's Greece's surpassed 110% of GDP last year.

The Portuguese government is slated to borrow around €20 billion to €22 billion from bond markets this year, less than half of Greece's borrowing needs.

Portugal and its neighbor Spain, which is suffering from a burst real-estate bubble, "have issues, but they don't have the immediate funding concerns" of Greece, says Eric Stein, a portfolio manager at investment company Eaton Vance, which is based in Boston.

Portugal might yet come under more intense pressure in financial markets, but for now, its interest rates remain at levels it can afford, Mr. Stein says.

The EU recently revised Portugal's 2009 budget deficit higher by 0.1 percentage point, to 9.4% of GDP.

The EU's statistics arm last week revised Greece's 2009 deficit to 13.6% of GDP, highlighting another of Greece's problems: the unreliability of its national statistics.

Last year, Greece raised its deficit forecast from less than 4% of GDP to 12.7%, but even that proved to be an underestimate.

Greece has repeatedly come under fire from EU authorities over the past decade for misreporting the state of its finances.

"The Portuguese do not have the same sad track record of creative accounting like the Greeks," says Mr. Brzeski.

"There is not a credibility question regarding data produced by Portugal, whose viability is ensured by the sound institutional framework in place," Alberto Soares, head of the Portuguese Treasury and government-debt agency, said last month.

Portugal also has a better track record than Greece at improving its public finances, even in a weak economic environment.

The EU has officially warned Portugal three times in the past decade for running budget deficits that broke the EU's limit of 3% of GDP.

Under pressure from Germany and France, Lisbon brought its deficit below 3% in 2008, despite persistently weak economic growth that averaged around 0.8% a year from 2002 to 2008.

That experience makes Portugal's promises of budget cuts more credible now, analysts say.

Many investors doubt Greece can do the same.

Portuguese Prime Minister Jose Socrates's latest budget calls for limiting growth in public spending, raising funds through privatizations, and raising some taxes on the wealthy to bring the deficit below 3% of GDP by 2013.

The European Commission has endorsed the plan as "ambitious and quite concrete," while warning that more steps might be needed if the economy falters.

—Tom Lauricella contributed to this article.

Greece is confident about EU-IMF bailout

Continued from first page

that were betting on it to default "will lose their shirts."

Mr. Papaconstantinou cited the Greek government's "enormous" portfolio of real-estate assets, better use of which could generate revenue for the budget, but stressed that the government wouldn't be rushed into a "fire sale" of assets to raise cash.

The finance minister's comments followed a series of meetings over the weekend with top monetary officials and finance ministers from around the world, in parallel with the IMF's spring meeting.

Signs are emerging that the IMF wants less-strict conditions for Greece's aid program than euro-zone countries have demanded. Euro-zone finance ministers earlier this year ordered Greece to bring its budget deficit below 3% of GDP by the end of 2012. European Commissioner for Economic and Monetary Affairs Olli Rehn says a later deadline now is being considered. Such an extension would underscore how the IMF has changed its approach to helping countries facing financial trouble. In the wake of the Asian financial crisis, the IMF was criticized for forcing countries to adopt severe austerity measures. These policies crimped economic growth, deepening the region's woes.

Reuters

IMF Managing Director Dominique Strauss-Kahn, U.S. Treasury Secretary Timothy Geithner, French Finance Minister Christine Lagarde and Spain's Finance Minister Elena Salgado at the spring IMF-World Bank meeting in Washington.

"I must emphasize, and you can pass this message to the Greek people: It's a different institution," Egypt's Finance Minister and head of the IMF's policy-steering committee Youssef Boutros-Ghali told a news conference at the IMF's spring meeting on Saturday.

Mr. Boutros-Ghali said the IMF now is less rigid about budget policies, focusing instead on economic growth and the effect its loan conditions have on poverty, income distribution and other issues. He noted that in 2008 IMF Managing Director Dominique Strauss-Kahn was the first policy maker to call for increased fiscal spending to combat the global economic downturn.

In other cases where European countries have gone to the fund—Latvia and Hungary, for instance—the IMF hasn't asked them to restructure their debt. But with Greece's problems deepening, the IMF may feel that a €45 billion loan isn't enough.

"The IMF could decide the numbers don't hang together," says Susan Schadler, a former senior fund official for Europe. "The IMF could say it can't go for a program that won't add up—that it either requires restructuring or massive amounts of more money."

Greece's debt last year amounted to 115% of its gross domestic product, a ratio that is growing rapidly as Athens continues to spend more than it brings in. The ratio is also growing because Greece's anemic growth rate is outstripped by the interest rates it pays on borrowings.

Some tried-and-true methods for spurring growth aren't at Greece's disposal. The euro-zone member's monetary policy is set by the ECB, so Athens can't fiddle with interest rates to attract investments, or devalue its currency to make its exports cheaper abroad and its islands a bargain for foreign tourists.

If Greece can't get a handle on its deficit, there are few options besides pleading with creditors to accept less than they are owed, analysts say. "A Greek default through debt restructuring is still very possible," especially if there are more shocks to the global economy, says Lena Komileva, an economist at Tullett Prebon in London.

—Charles Forelle, Alkman Granitsas, Costas Paris, Bob Davis and Neil Shah contributed to this article.

Center-right party wins vote in Hungary

By Margit Feher

BUDAPEST—Viktor Orbán and his center-right Fidesz Party won Hungary's runoff general election Sunday with the widest majority in the country's postcommunist history—giving the new government sweeping powers to carry out promises that include cutting taxes, streamlining the civil service and boosting social spending as well as granting citizenship to ethnic Hungarians in other countries.

The 46-year-old politician, known for a folksy manner and a love of football, held the prime minister's office from 1998 to 2002, when the country's economy was still flourishing. He returns as Hungary is trying to regain its political and economic footing after a near-bankruptcy in 2008, averted by a bailout by the International Monetary Fund and the European Union.

After the Socialist government's austerity measures, taken to meet IMF requirements for its loan, Mr. Orbán's vows to reinstate certain social benefits, support Hungarian businesses—and to legalize home distilleries—drew an enthusiastic response from voters, particularly in rural regions. But the spending promises, paired with his pledges to cut taxes, have some citizens and economists worried that the country's budget deficit could again balloon, flouting IMF and EU guidelines and triggering new fiscal woes.

"I'm afraid that the austerity measures that the current government made to lead the country out of the economic crisis will be reversed," said Kristóf Konyves-Tóth, 31, a telecommunications manager who turned away from the Socialist government in power and Fidesz in the first round of voting, choosing the LMP Green Party instead.

But some Fidesz voters are confident the party can get the country back on its feet. "Orbán is traditional but not old-fashioned." said Melinda Szilagyi, a 22-year-old university student. "Fidesz defines itself as a Christian democratic popular party, and while Orbán's leadership style could be seen as a bit military, it works."

"Starting today, the interest of Hungarians will be the No. 1 [issue] in Hungary," Mr. Orbán said in a speech to voters after the election results were published.

A recent surge of support for the far-right nationalist Jobbik Party, spurred by the country's recession and disillusionment with a Socialist Party rule racked by corruption scandals, has raised some concerns among the political establishment. Both Jobbik and the LMP Green Party acquired seats in Parliament for the first time in Sunday's voting, winning a respective 12.2% and 4.2% of the popular vote. Fidesz received 67.9% and the ousted Socialists 15.3% of the votes.

Sunday's second-round vote focused on 57 individual single-member district seats. Helping Fidesz's chances to obtain the two-thirds majority in Parliament necessary to amend the constitution and pass bills, the second round of voting required only a simple majority to win, rather than an absolute majority—50% plus one vote—as in the first-round elections.

Of the 386 seats in the Hungarian parliament, Fidesz won 263, the ousted Socialist Party garnered 59 seats, extreme right-wing party Jobbik 47 and the LMP Green Party six seats. One nonpartisan candidate also made it to Parliament, Hungary's national election committee said, based on unofficial results when 97.9% of the votes in the second round had been processed.

The elections come after months of international focus on Hungary. The country's near-insolvency in late 2008 sent tremors as far afield as Brazil and New Zealand as investors stepped back from emerging markets.

—Veronika Gulyas contributed to this article.

European Pressphoto Agency

Viktor Orbán, speaking this month, was Hungary's premier in 1998-2002.

Agence France-Presse/Getty Images

Samantha Cameron, wife of Conservative Party leader David Cameron, chats with a diner during a visit to a community center in North London this month.

U.K. wives hit campaign trail

Three party leaders seeking an edge with voters enlist spouses as race nears the homestretch

By Cassell Bryan-Low

LONDON—Samantha Cameron, wife of the leader of the U.K.'s main opposition party, prepared a cup of tea in her kitchen here on a recent Friday. Sitting by a wall decorated with photos of her children, she discussed the couple's planned visit that day to a youth club.

The scene, captured in a video posted on the party's Web site, marked Ms. Cameron's debut on the campaign trail. It is the first in a series of clips that document outings she is making to campaign for her husband, Conservative party leader David Cameron.

Ms. Cameron, like most other British political spouses, previously held minor roles in their husbands' public careers. But, now, as Britain is galvanized by a close race on May 6, the candidates' wives are playing a much higher-profile role than before. With some of their policy positions overlapping with rivals', candidates are looking to new ways to distinguish themselves and broaden their appeal.

Ms. Cameron, the 39-year-old creative director at a stationery company, has reduced her work schedule to at least two days a week from four, and is making frequent appearances at charities and other events. Her photo runs often in newspapers and magazines, which chronicle everything from her pregnancy to her penchant for mixing designer clothes with less-expensive labels.

She isn't alone in taking a bigger role: Sarah Brown, wife of Prime Minister Gordon Brown, is accompanying her husband full-time on the campaign trail, and posts frequent updates on social-networking site Twitter Inc., where she has about a million followers—more than six times the number of Labour Party members. Ms. Brown also writes a weekly election diary for a U.K. paper and recently appeared on the cover of the Observer newspaper's monthly food magazine, writing about local and fair-trade produce and accompanied by photographs of the vegetable patch in the garden of No. 10 Downing St. The magazine's editor says the piece has been in the works for some time.

Miriam Gonzalez, wife of Liberal Democrat sensation Nick Clegg, also has suddenly emerged as a media figure, though she continues to work full time as a lawyer. In a recent television interview she said: "I'm the wife of a politician. I don't have a role. I'm just married to him."

While the U.K. hasn't traditionally had a first lady culture, the fact that the wife of each leader of the three main political parties is accomplished and photogenic has fed interest. It comes on the heels of the attention on Michelle Obama and her French counterpart, Carla Bruni, and a generally more presidential style of politics in the U.K.

While party leaders' spouses have drawn interest before, "it wasn't at the high-octane level that it is now," says Sandra Howard, wife of Michael Howard, who led the Conservative party's unsuccessful attempt in the most recent election.

The parties hope that a popular spouse reflects well on a candidate, influencing voters about factors beyond specific policies, such as trustworthiness. But many experts say they doubt that a spouse swings votes.

"The family context is important to voters" but most people won't vote for someone just because their wife wears "a nice dress," says Fiona Millar, who was an adviser to the wife of former prime minster Tony Blair. During Mr. Blair's leadership, the political spouse's profile shifted significantly. Cherie Blair broke from tradition by having her own career and speaking out frequently about her views.

Her successor, Ms. Brown, is a public-relations executive who has long played an active role in her husband's career, including taking the unusual step of speaking at party conferences.

A Labour Party spokeswoman said Ms. Brown, 46 years old, wasn't available to comment.

Ms. Cameron, however, hadn't sought the spotlight in the past. She previously had said she wanted to model herself on Margaret Thatcher's husband, whose motto was the prime minister's consort should be "always present, never there."

But in mid-March, with polls showing the Conservatives' lead over Labour narrowing, Mr. Cameron revealed that his newly pregnant wife was about to take an active role. "You are going to see a lot more of her on the campaign trail," he said in an interview on ITV PLC.

Days later, Ms. Cameron gave her first TV interview as part of a program about her husband; the party released the transcript to journalists beforehand.

Ms. Cameron described her relationship with "Dave," his qualities as a father as well as some of his annoying habits, echoing comments Ms. Brown and Mrs. Obama have made about their husbands.

"He's not very good at picking up his clothes. He's a terrible channel flicker. I have to be quite firm about him not fiddling with his phone and BlackBerry too much," Ms. Cameron said.

Ms. Cameron wasn't available to comment, a party spokeswoman said. Mr. Cameron has publicly said she wanted to help on the campaign.

The potential pitfalls for a political spouse aren't inconsequential. While one may not be able to win an election, she could potentially spoil her husband's chances. "You've only got to say something a bit stupid," Ms. Howard says.

Clegg says no to Brown union if Labour trails

Continued from first page

collaborations between the center-left of the Liberal Democrats and Labour.

The intensifying posturing is a reflection of an uncertain outcome in an election that once seemed sure to deliver a Conservative Party majority that would end 13 years of Labour rule.

The Conservatives could still rally and win a majority of seats, in what already has been a volatile election full of twists. But while the Tories are ahead in opinion polls, the size of their current lead appears likely to leave them depending on other parties to pass legislation.

Under the U.K.'s electoral system, Labour could still remain the largest party even if it come in third in terms of actual votes. In the U.K. system, it is the number of seats won rather than proportion of the vote that counts, and the uneven distribution of the vote favors Labour in this election.

On Sunday, Mr. Clegg added to the intrigue with his statements about Mr. Brown, an unpopular incumbent who nonetheless has kept Labour in the race after being written off for most of the last year.

Mr. Clegg said his party remains open to joining a coalition government with the Conservatives or Labour, but that it wouldn't serve under Mr. Brown if Labour came in third in the number of votes.

"I think a party which has come third and so, millions of people have decided to abandon [them], and have lost the election spectacularly, cannot then lay claim to providing the prime minister of this country," Mr. Clegg told the British Broadcasting Corp.

Mr. Clegg didn't, however, dismiss the possibility of joining a coalition with Labour if the party changed leaders after the election. That would close off one avenue of survival for Mr. Brown and likely encourage an interparty revolt against him should he find himself in that position. Mr. Brown already has fought off a number of rebellions against his rule. The so-called Blairite faction of the Labour Party, the followers of former Prime Minister Tony Blair, already believe they have some common cause with the centrist Liberal Democrats.

The Liberal Democrat's pro-European stance, along with other issues such as on taxation, would make it harder to gel with a Tory government, underscoring the rounds of intense negotiations that would follow the election of a hung Parliament.

A spokesman for Mr. Brown said Mr. Clegg's words only reinforce the view that those who flirt with voting for Mr. Clegg will end up married to Mr. Cameron and a Conservative government. A poll by YouGov gave the Conservatives 34% of the vote, the Liberal Democrats 30% and Labour 28%.

The Conservatives could need at least a 10% lead to win a majority, political observers say. Financial markets fear a hung Parliament, believing a government needs a strong mandate to tackle Britain's record deficit.

According to a survey by the British Chamber of Commerce released Monday, such fear is shared by U.K. businesses, with nearly two-thirds saying they are "concerned" or "very concerned" about the impact of a hung Parliament.

U.S. NEWS

Housing to test economy's strength

Economists say market is a question mark with government support ending, but more balance could be a good thing

By Mark Whitehouse

Even as optimism grows about the strength of the recovery, one big question looms: To what extent is the economy running on government life support?

THE OUTLOOK

Over the next several months, the housing market will offer a clue.

Housing has been a major beneficiary of the government's stimulus efforts. Tax credits for homebuyers, the Federal Reserve's unprecedented efforts to hold down mortgage rates, and loan modifications aimed at preventing foreclosures have helped housing show signs of life, albeit not as much as many economists had hoped. Prices have stabilized, while sales and construction are up from their recession lows but still well below long-term averages.

Now, the government is pulling the plug. The tax credits expire on Friday, the Fed has already stopped buying mortgage bonds and the pace of new trial modifications under the Treasury's Home Affordable Modification Program has begun to slow. Whether or not the housing market can stand on its own will provide valuable insight into the broader recovery's ability to keep going when the Obama administration's stimulus package peters out around the end of the year.

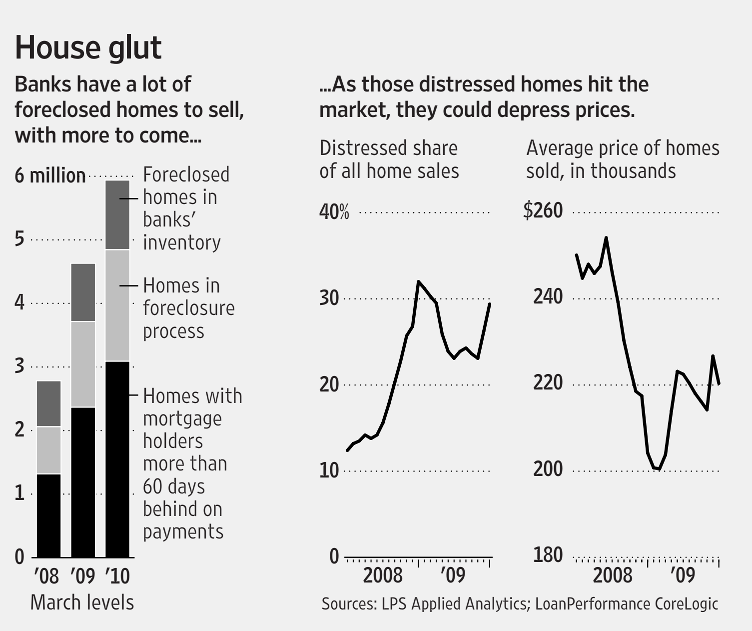
"That's the nagging question right now," says Yale University economist Robert Shiller. "How much of the strength in the housing market is just the perception of government support?" he said. "I do have concern about a double dip."

To some extent, a weak housing market can actually be a sign of health. The U.S. economy needs to reduce permanently its dependence on credit-fueled construction, and move more toward selling goods and services to booming emerging markets. At the peak of the housing boom, construction and other housing-related services accounted for about 6.3% of the U.S. economy. Now they account for only 2.5%. The right level is probably somewhere in the middle.

Less dependence on housing and U.S. consumers "will mean a better balance and a healthier recovery," says Joseph Carson, director of global economic research at Alliance-Bernstein in New York.

Still, if house prices were to head down again in the absence of government support, it could be a problem for the recovery. The recent stabilization of prices, which according to the S&P Case-Shiller Index were down just 0.7% in January from a year earlier, has done a lot to support fragile confidence among consumers and in financial markets.

House prices also underpin the value of the $2.6 trillion in mortgages on banks' balance sheets. If a new decline caused banks to fret about their own finances, that could make it tougher for businesses—particularly the small ones that account for an outsized share of new jobs—to get the credit they need to expand. And without new jobs, the rise in consumer spending would be hard to sustain.



Economists see various reasons to worry home prices could drop again. For one, the rising number of foreclosed homes will weigh on an already weak market—a delayed result of the same mortgage defaults that are, in some cases, allowing consumers to free up more of their income for spending.

As of March, banks and investment trusts had an inventory of about 1.1 million foreclosed homes, up 20% from a year earlier, according to estimates from LPS Applied Analytics. Another 4.8 million mortgage holders were at least 60 days behind on their payments or in the foreclosure process, meaning their homes were well on their way to the inventory pile. That "shadow inventory" was up 30% from a year earlier.

Banks have so far been slow to dump homes on the market: At the current rate of sales, it would take almost nine years to work through both the real and "shadow" inventory. "They're just squeaking them out," says Loren Gonella, owner of Coldwell Banker Gonella Realty in Merced, Calif.

At some point, banks will have to sell all those houses. Meanwhile, foreclosures could accelerate as loan modifications slow and an increasing number of those who received relief go back into default. New government initiatives are also encouraging mortgage servicers and lenders to agree to so-called short sales, in which the borrower sells the house for less than the mortgage debt and the bank forgives the difference.

All that will add to the supply of distressed homes on the market, even as the government programs supporting demand come to an end. Ed McKelvey, an economist at Goldman Sachs in New York, estimates that the combined effect will depress prices about 5%. That's on top of whatever the market would have done on its own—an underlying trend that could as easily be down as up.

"You have a market that's got more supply than demand, and we know what happens to prices in those kinds of markets," says Mr. McKelvey.

A new leg down in house prices could benefit some, such as first-time home buyers who have long been priced out of the market. On average, homes are already more affordable than they've been in decades—though prices still look high by historical standards in many parts of the country, including New York City.

Climate row threatens other Obama plans

By Stephen Power

WASHINGTON—A dispute between U.S. Senate Majority Leader Harry Reid (D., Nev.) and Sen. Lindsey Graham (R., S.C.) over the timing of a climate bill is threatening the already-weak prospects for congressional action this year on one of President Obama's top priorities.

Lawmakers and interest groups who want action on climate and energy legislation scrambled Sunday to resolve the dispute, which also put in doubt the Obama administration's effort to enlist Mr. Graham's support for an overhaul of immigration laws.

In an interview Sunday, Sen. Joseph Lieberman (I., Conn) said he was hopeful that the rift could be mended following talks with both Messrs. Reid and Graham. But Mr. Lieberman said he didn't know how soon he and Sen. John Kerry (D., Mass) would introduce climate and energy legislation that they have been working on for months with Mr. Graham.

The trio had planned to unveil a draft version Monday, only to cancel the event late Saturday, after Mr. Graham announced he would not continue with the effort.

Mr. Graham, who is under pressure from other Republicans to stop working with Democrats on the energy and immigration issues, blasted what he called a "cynical political ploy" by Mr. Reid and other Democratic leaders to put immigration legislation before climate and energy legislation. Mr. Graham has said the energy measure should come first.

"We can't pass [the climate and energy proposal] without" Mr. Graham, Mr. Lieberman said. "We need him to come back. Our hope is something can be worked out where he's comfortable about the separation of these two issues and the primacy of energy and climate legislation in Sen. Reid's scheduling."

A spokesman for Mr. Reid declined to comment on Mr. Lieberman's remarks Sunday but said the majority leader is prepared to move either climate or immigration legislation to the Senate floor "when they're ready."

"Climate change is much further along so it may be possible to do that first," the spokesman added. "But there's a process that must be followed" to give the relevant committees on both issues time to review the proposals.

A spokesperson for Mr. Graham couldn't be reached Sunday.

On Saturday, Mr. Graham said he would be "unable to move forward on energy independence legislation" unless Democratic leaders abandon plans to put immigration overhaul ahead of the climate and energy bill. "Moving forward on immigration—in this hurried, panicked manner—is nothing more than a cynical political ploy," Mr. Graham said Saturday in his statement, citing the "hundreds of hours over many months" that he spent trying to pass immigration legislation in 2007.

In a written reply Saturday, Mr. Reid said overhauling the country's immigration and energy systems are equally important and noted that Mr. Graham has been under pressure from fellow Republicans "not to work with us on either measure."

Mr. Lieberman said Sunday that he had been assured Sunday by Mr. Reid that the majority leader is "ready to do energy and climate legislation as soon as it's ready and that he assumes it will be ready sooner than immigration reform." Mr. Lieberman said he plans to talk to Mr. Graham again Monday.

The White House said Saturday the Obama administration is determined to pass climate and energy legislation this year and urged Mr. Graham to "not walk away from the progress that's already been made."

A spokesman for Mr. Graham said Saturday that political pressure hadn't contributed to Mr. Graham's move to halt work on climate and energy legislation.

—Laura Meckler contributed to this article.

Associated Press

Sen. Lindsey Graham objects to an immigration bill coming ahead of energy.

U.S. NEWS

Only in New York: moderate looks strong

[Capital Journal]

By Gerald F. Seib

In some ways, one of the most surprising stories of the 2010 midterm-election season is that Democratic Sen. Kirsten Gillibrand of New York is still considered a fairly safe bet for re-election. That tells you something about what's happened to politics in New York, and the rest of the country, in recent years.

Ms. Gillibrand is a bit of an accidental senator. She was appointed by David Paterson—himself an accidental governor—to fill the seat vacated when Hillary Clinton left to become secretary of state.

Ms. Gillibrand had served just two years in the House and immediately encountered critics within her own party. Gov. Paterson and their party back home have imploded in scandal and ineptitude, and the national environment is toxic for many Democratic incumbents.

So there was a time when the Gillibrand seat would have been a ripe target for some formidable, young, moderate Republican. But the most potent moderate Republicans in New York—former New York City Mayor Rudolph Giuliani and former Gov. George Pataki—aren't so young, and both have decided they have better things to do.

Thus, while something could still change, Republican officials in Washington have concluded they don't have much of a chance at her seat. And therein lies an important tale of the gaping hole in the middle of American politics.

One of the most important trends in national politics over the last generation has been the way much of the country has divided up into ever-brighter blue and red—Democratic and Republican—camps. Moderately blue states, especially in the Northeast and West Coast, have become darker blue, and light-red states, especially in the South and Mountain West, have become darker red.

In fact, there has emerged what political writer Ronald Brownstein of the National Journal has called "a blue wall" of states so solidly Democratic that they form a kind of fortress in presidential elections. He notes that 18 states have voted for the Democratic candidate in at least the last five presidential elections. A different, somewhat smaller group of states has become just as reliably red.

New York is in the thick of this trend. And a big reason is that moderate politicians who exist comfortably in the middle of the political spectrum have become harder and harder to find.

New York, for instance, used to be the epicenter for liberal Republicans, who stood in the middle of the political spectrum, between the GOP's right-wing conservatives and the Democrats' left-wing liberals.

In 1981 the New York delegation to the House of Representatives had 17 Republicans; most, by definition, were of the liberal to moderate variety, which is the kind New York produced. Today, the New York delegation has but two Republicans.

As a result, the political center in New York, as in the country at large, has become a more lonely place. "Where have you gone, Jacob Javits?" bemoans Kenneth Duberstein, a former White House chief of staff for Ronald Reagan, who began his political career working for the late New York Sen. Javits, the very personification of liberal Republicans.

Similarly, Mr. Duberstein wonders: "Where have you gone Daniel Patrick Moynihan? Where have you gone Nelson Rockefeller?" He's invoking the names of legendary centrists, the first a Democrat and the second a Republican, of times gone by. In their wake the state's Democrats have moved left, its Republicans right.

Associated Press

Sen. Kirsten Gillibrand (D., N.Y.)

Ms. Gillibrand, as it happens, actually seeks to occupy some of that center ground as a moderate Democrat, but she doesn't yet have the heft to lead the party.

There is one heavyweight New York politician who has found it's possible to function—nay, thrive—in the middle. He is Michael Bloomberg, the mayor of New York City, who was both a Democrat and a Republican before settling in as an independent. Mr. Bloomberg doesn't merely call himself an independent, but actually functions as one. And he's widely seen as a successful mayor.

Of course, even for him there are political limits. He might be able to exist only in New York City, with its unique mindset and separation from the rest of the state. And even Mr. Bloomberg didn't find winning re-election to a third term last year nearly as easy as he had hoped.

Still, miracle of miracles, he makes things work. If you call city hall in New York, you can get an actual live person to answer the phone, and even volunteer his or her name and contact information. How many city halls in America can claim the same?

So maybe Michael Bloomberg points the way toward a future in politics—in New York and the nation—where competence trumps partisanship. We can at least hope.

WORLD NEWS

Reuters

Canadian Finance Minister Jim Flaherty, shown at a news conference in Ottawa in March, has emerged as a forceful opponent of the proposed tax.

Push for global bank tax bogs down

Canada, Australia, Japan oppose initiative; U.S., France, Germany and U.K. still favor proposal

By Bob Davis

WASHINGTON—Support for a global bank tax to cover the cost of future financial crises appeared to be losing steam after a weekend of discussions by finance ministers and central bankers.

Although the U.S., Germany, France and the U.K. still support the idea, Canada, Australia and Japan are firmly opposed, according to finance ministers and other people attending International Monetary Fund meetings. The list of opponents also has grown to include Brazil, Switzerland and some Asian countries.

Bank-tax skeptics worry that the tax would be punitive, weaken banks looking to raise capital and create incentives for banks to shift business to countries that don't impose the tax. Others fear a bank tax could divert attention from what they consider a more-pressing priority: devising new rules to ensure banks have bigger capital cushions to absorb losses.

Dutch central banker Nout Wellink, chairman of the Basel Committee on Banking Supervision, which is putting together new banking regulations, said that consideration of taxes should be put off for at least a year until the committee finishes its work.

"What we should do first is finalize the [Basel] process," he said in an interview. "Then we can ask ourselves if national proposals are still necessary and useful."

Canadian Finance Minister Jim Flaherty, wise-cracking and plainspoken, also became a forceful voice against the tax during the IMF meetings. Canada's influence was magnified because it hosts the next meeting of leaders of the Group of 20 countries in Toronto in June.

Mr. Flaherty successfully pressed the IMF to study an alternative Canada favors: requiring big banks to raise "contingent capital," an automatic financial shock-absorber that would be triggered in another crisis.

There are a variety of contingent-capital proposals, a concept favored by many academics. In one version, banks would issue debt that automatically turns into equity if banks run into trouble. Proponents say such securities would provide a disincentive for bank management to engage in risky behavior because conversion of the debt would dilute stock held by shareholders.

Contingent capital also would reduce debt-service burdens for banks by turning debt, on which interest must be paid, into equity, for which dividends can be suspended in a pinch. The proposals face a number of practical problems, including how to set a conversion mechanism and value the securities.

A French official said contingent capital doesn't serve the same function as a tax. The point of the levy, the official said, "is not just to bring in extra resources, but also to discourage excessive risk-taking and prevent systemic risk. No matter how elaborate capital requirements are, there is always a proportion of systemic risk that they don't capture. For that you need a tax."

Last week, the IMF triggered a global debate with a leaked proposal that G-20 nations adopt two bank taxes. One would be a tax on balance sheets, "possibly" including off-balance-sheet items, but excluding capital and insured liabilities, to pay for the costs of winding down troubled financial institutions. The other is a tax levied on the sum of profits and compensation of financial institutions to help finance the broader costs of a financial crisis.

"We knew we were in for a tough time when the leaders of the G-20 asked the IMF to give them our views," Carlo Cottarelli, a senior IMF official, wrote in a blog post on Sunday, saying the IMF would continue its analysis of the tax in preparation for the Toronto summit. "The last thing we want to do is to repress/bury the financial sector by imposing a heavy burden; like the food supply, it means too many good things for economic growth."

The U.S. remains committed to a bank tax. U.S. Treasury Secretary Timothy Geithner said he figured many other countries would follow the U.S. lead. The U.K. has said it would only go along with a tax if it was imposed globally. The U.K. would use the money for general budget purposes, while Germany would reserve it for future crises.

—Nathalie Boschat contributed to this article.

Some nations press China to revalue yuan

By Michael Casey And Min Zeng

WASHINGTON—Concerns over China's exchange-rate policy were absent from public statements that world financial leaders released after weekend meetings here. But officials from several countries used the forum to nudge Beijing toward a revaluation of the yuan, a move that analysts see as increasingly likely before the end of this quarter.

In voicing their concern that an undervalued yuan creates distortions in world trade and financial flows, officials opted for diplomatically polite language. Some China watchers say such subtle expressions of concern are likely to prove more fruitful than tough talk of sanctions against Beijing.

Chinese officials have repeatedly said they won't bow to foreign pressure to revalue the yuan. U.S. Treasury Secretary Timothy Geithner said currency reform is "China's choice" and that he believes it "will decide it's in their interest." Later, in a presentation to the oversight board of the International Monetary Fund, Mr. Geithner urged large emerging economies to "return to market-oriented exchange rates, where appropriate" without specifically naming China.

Bloomberg News

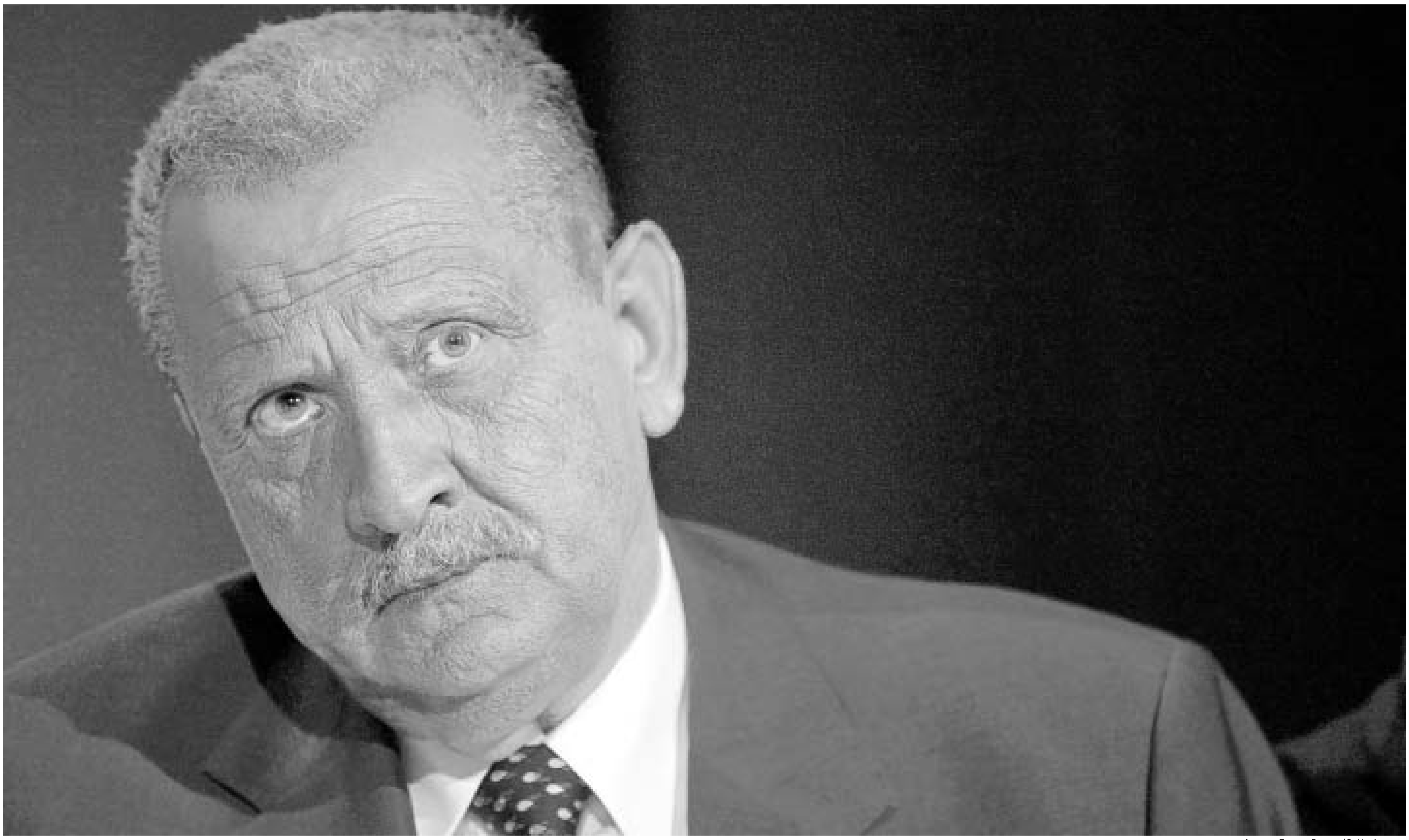
Henrique Meirelles, Brazil's central bank president, talks with Zhou Xiaochuan of China at the G-20 meeting Friday.

Olli Rehn, the European Union's commissioner for economic and monetary affairs, was more blunt. He said "the Chinese authorities are encouraged to implement soon a more flexible exchange-rate regime," a move that would "contribute to stability by reducing current-account imbalances."

The Chinese central bank is believed to favor letting the yuan rise against the dollar because it would complement other monetary-tightening measures aimed at calming inflationary pressures.

The challenges central-bank officials face, analysts say, are both political and technical. On the one hand, they face opposition from other factions within the government, who want to keep the yuan-dollar peg in place to the benefit of China's export-oriented industrial establishment. On the other, there is the complicated task of timing and communicating a yuan revaluation.

INTERVIEW



Agence France-Presse/Getty Images

Former Libyan Prime Minister Shokli Ghanem is a devoted family man and remains one of the most down-to-earth and accessible of the OPEC ministers.

A survivor in oil and OPEC

Shokri Ghanem is the key intermediary in foreign investors' dealings with Libya's $50 billion industry

[Shokri Ghanem]

By Tahani Karrar-Lewsley

DUBAI—Shokri Ghanem, the head of Libya's $50 billion-a-year oil industry and representative to the Organization of Petroleum Exporting Countries, is a survivor.

A political heavyweight who served as the country's prime minister, the grandson of a guerrilla fighter has never hesitated to battle for his own causes, even if it meant paying a high price, both personally and politically.

"When I became prime minister, I brought different ideas to the mainstream at the time and that brought me a lot of enemies," says Mr. Ghanem as he slowly sips an espresso in a hotel lounge.

With the support of Saif El Islam, who is most likely to succeed his father, Libyan ruler Moammar Gadhafi, Mr. Ghanem tried to introduce privatization initiatives, open bidding for oil contracts and reappoint government ministers based on qualifications not connections. But his efforts were resisted by the old guard—and he soon found himself replaced by his deputy.

"I am a liberal, but the conservatives and the revolutionaries felt threatened financially and politically by me, so as my enemies increased it became dangerous with threats to myself and family. But what frustrated me more is I didn't feel I could implement the reform I wanted to in good time," said Mr. Ghanem, playing with a purple rosary given to him by his son. "I wanted to resign, I wanted the change in a way, but it was a surprise when it happened and Saif El Islam called me and told me there was a change."

Wanting to escape seems to be something of a running theme in Mr. Ghanem's life. In August 2009, after the establishment of the new Supreme Council of Energy Affairs headed by Prime Minister Baghdadi Mahmudi without Mr. Ghanem's participation, Mr. Ghanem resigned as chairman of Libya's National Oil Co, or NOC.

Within two months he was reinstated after it became clear his departure would deal a blow to foreign investment in Libya's oil sector. In recent years, international oil companies have come to view Mr. Ghanem as the key intermediary in their dealings with the oil-rich North African state.

Born in 1942 in Tripoli, he grew up in a family torn by politics and war. His grandfather, a wealthy farmer was among the first Libyans to resist Italy's invasion in 1911. Captured by the Italians, he was briskly exiled and imprisoned with more than a thousand other Libyans in Tremiti Island, off Italy. He died soon after at age 45. "My father—because his father was a guerrilla fighter—the Italians confiscated all his properties. So when he was 14 he joined his uncle in the resistance but returned to Tripoli as a petty trader and junior civil servant, and married my mother in 1935," Mr. Ghanem says.

Growing up, Mr. Ghanem distanced himself from covert politics, was a high achiever at school and wanted to bring change to the government from within.

After graduating from Libya's Benghazi University in 1963 with a degree in economics, he joined Libya's ministry of economy as a junior civil servant but quickly rose up the ranks and helped to broker trade deals with Europe and the U.S. as head of the ministry's European and American Trade Department.

"In 1964, when I went to a three-month UNCTAD [United Nations Conference on Trade and Development] conference I met a Swiss girl who I almost got married to," he chuckles.

Today, Mr. Ghanem is one of 188 top Libyan officials blacklisted by Switzerland from obtaining a visa to 25 European countries amid continuing tensions between the two nations over the 2008 arrest of Hannibal Gadhafi, a son of Libya's leader, who was accused of assaulting servants. The servants dropped the complaint, and the Swiss apologized for the arrest in 2009.

After his stint at the trade department, Mr. Ghanem briefly worked as deputy editor for the Libyan News Agency before returning to the ministry of economy as director of foreign trade.

He first got involved in Libya's oil sector in 1968 with the establishment of NOC, before the revolution. He was selected as a member on the company's board—the second most important board after the cabinet. Despite his government position, he wasn't a keen supporter of Libya's King Mohammad Idris who reigned from 1951 to 1969. This wasn't enough to save him when Col. Gadhafi's revolution swept the country and he was suspended from his government post. However, after just 12 days of suspension, Mr. Ghanem was invited to come back as the new government didn't perceive him to be a threat.

Soon after, he took up a directorship at the ministry of petroleum, which supervises NOC, before pursuing studies at the Fletcher School of Law and Diplomacy in the U.S. under the sponsorship of the Libyan government. He graduated with a master's in international economics, a master's in law and diplomacy, and a Ph.D. in economics.

During his 4½ years in the U.S. he made friends with such people as Michael Dodds, the author of "To Make a King" and a former adviser to British Prime Minister Margaret Thatcher.

At 28, Mr. Ghanem had readily assimilated into American society and even considered applying for a green card but this changed when the Ramadan War, also known as Yom Kippur War, erupted between Israel, Egypt and Syria. Mr. Ghanem felt a stranger when his closest friends sided with Israel, and he returned to Libya.

In 1975, Mr. Ghanem assumed the position of undersecretary at the ministry of petroleum and published his first book "The Pricing of Libyan Crude Oil." In the meantime, his plans to marry his American sweetheart fell apart due to what he describes as religious and cultural differences.

From 1982 to 1984, he went on to work as an academic visitor in London's School of Oriental and African Studies, or SOAS, and wrote his next book—"OPEC: The Rise and Fall of an Exclusive Club," which was published in the U.K.

"Unfortunately none were best sellers, none were juicy love stories," he says.

In 1993, he joined the Organization of Petroleum Exporting Countries as consultant, then worked as research director and briefly as OPEC's acting secretary-general.

In 2001, he returned to Libya to work as minister of economy before being named prime minister.

Despite his high-flying career, the devoted family man remains one of the most down-to-earth and accessible of the OPEC ministers.

He is married to a Libyan, has one son working in Bahrain and three daughters, and enjoys driving his daughter's Mercedes A-Class when she lets him, instead of being chauffeur-driven.

—From Zawya Dow Jones