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# THE WALL STREET JOURNAL.

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# Pressure piles up on Greece

A Wall Street Journal Roundup

Financial markets raised the pressure on debt-ridden Greece, as investors remained skeptical about its long-term solvency despite assurances that a rescue loan will keep it from defaulting on its obligations in as little as just over three weeks.

While the immediate fear is driven by Germany's reluctance to bail out Greece, some economists think Greece's growth prospects are so weak the government won't collect enough taxes to be able to pay its bills years down the road. Worsening the country's plight is rising yields on its debt, which Monday neared double digits. The country's finance minister called current rates for raising funds "prohibitive."

"When the question at issue is whether we can borrow, one realizes how difficult a position the country is in," Greek government spokesman George Petalotis said.

Analysts had said they expected the market's relief over Greece's formal request for aid on Friday to be short-lived. Indeed, any such feelings appeared to be over by Monday, as the cost of insuring Greek debt against default soared to a record, the country's stock market fell for the fourth consecutive session and the euro weakened. Worries also spilled over yet again to other members of the 16-



German Chancellor Angela Merkel, shown Monday in Berlin, said talks over Greek aid could continue into May.

nation euro bloc with big debt loads.

Analysts suggested the pressure is likely to remain, even if Greece gets the money to repay an €8.5 billion (\$11.37 billion) 10-year bond

that matures May 19.

Monday, Germany remained hesitant to quickly provide Greece with up to €8.4 billion, Germany's share of the €30 billion European Union package. The Interna-

tional Monetary Fund is to provide another €15 billion.

Instead, analysts suggested that Germany, the biggest national contributor to the aid package, may wait to move on approving its share

until after May 9, the date of a crucial election in North Rhine-Westphalia, its most populous state. Chancellor Angela Merkel on Monday said Athens must be prepared to accept more tough mea-

sures "not just for one year, but for many years" to bring its finances into order, and that talks over aid conditions could continue into May.

"Greece asking for the aid package is the start of the uncertainty, not the resolution," said Ian Stannard, a currencies analyst at French bank BNP Paribas in London.

Underscoring those worries, Greek 10-year bond yields soared to 9.60%, from 8.70% late Friday, as the yield premium over comparable German debt, the euro-zone benchmark, widened to 6.55 percentage points, from 5.63 percentage points late Friday.

It now costs \$711,000 a year to insure \$10 million of Greek government bonds for five years, from \$614,000 at Friday's close and \$250,000 at the start of the year, according to CMA DataVision.

In a bid to soothe tensions, the head of the European Central Bank expressed confidence that euro zone and IMF officials can rapidly piece together the Greek aid package. Speaking in a video interview with the Wall Street Journal, Jean-Claude Trichet said he expected that negotiations now under way in Athens will "go fast."

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Austria's thriving business with an anti-Semitic regime. Page 15

# Goldman readies for showdown

By JOE BEL BRUNO

NEW YORK—Goldman Sachs Group Inc. Chairman and Chief Executive Lloyd Blankfein will tell U.S. lawmakers Tuesday that the firm didn't consistently short the residential housing market, and didn't bet against clients, according to his prepared testimony released late Monday.

Mr. Blankfein says the firm lost \$1.2 billion stemming from the residential mortgage crisis, according to a copy of the testimony released ahead of his appearance on Tuesday in front of Senate lawmakers. He said the firm is well aware of how the financial crisis has turned Americans against Wall Street.

"I recognize, however, that many Americans are skeptical about the contribution of investment banking to our

economy and understandably angry about how Wall Street contributed to the financial crisis," he said in the prepared testimony.

"As a firm, we are trying to deal with the implications of the crisis for ourselves and for the system," he said.

The testimony comes in the wake of allegations from the Securities and Exchange Commission that Goldman and trader Fabrice Tourre sold a financial instrument called Abacus 2007-AC1 without disclosing that a hedge-fund firm betting on its decline helped to pick some of its underlying mortgages.

In his testimony, Mr. Blankfein describes the day the SEC suit was filed "one of the worst days in my professional life, as I know it was for every person at our firm." Over the weekend, con-

gressional investigators interviewed Mr. Tourre, as the company prepared for a showdown with lawmakers at the hearing Tuesday.

Tuesday's hearing caps an 18-month-long investigation by a Senate subcommittee. Goldman is likely to face tough questions at the hearing that go beyond Mr. Tourre, according to people familiar with the matter.

Lawmakers are likely to ask whether Goldman was packaging mortgage investments that it thought were likely to perform poorly. They will also look into the firm's broader strategy of profiting from the subprime-mortgage market's collapse.

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## PAGE TWO

# Voters need honesty on austerity issue

## [ Agenda ]

BY PATIENCE WHEATCROFT



Politicians like to be generous. The money they are spending, or promising to spend if the electorate puts them into office, belongs to others, so they can afford to spread it around.

Splashing out taxpayers' cash tends to buy friends; meanness, on the other hand, isn't generally perceived as a vote winner.

Hence the growing concerns that the Greek government won't be prepared to make the stringent cuts now demanded of it as the price of a European Union bailout.

"Greece has to accept harsh measures for several years," said a stern sounding German Chancellor Angela Merkel yesterday, happy to be seen as the prime party pooper in this scenario. For the pain that she is advocating won't be endured by her electorate. On the contrary, the German public has made it very clear that it doesn't wish to see its cash used to help Greece out of its predicament.

Ms. Merkel's attitude is exacerbating the markets' sense of panic over the Greek debacle. The prospect of default on its debt is now less than three weeks away yet the country's euro-zone colleagues seem to be growing in their scepticism about whether Greece deserves the help it is requesting.

It is as if they want Prime Minister George Papandreou to pick up an axe and start hacking off massive lumps of the Greek Parliament as evidence of his determination to cut spending.

Mr. Papandreou, though, is caught between an imminent refinancing deadline and a volatile electorate. The latter hasn't forgotten that just last October, his electioneering promise was of higher public-sector wages and more public spending. The latest polls indicate this is still what the majority of voters want him to



Greek leaders face an imminent refinancing deadline and a volatile electorate.

deliver, despite rather pressing evidence that the option simply doesn't exist.

Although Greece is involved in desperate talks with the EU and International Monetary Fund, 65% of Greeks said the government should reject any further cuts in wages and pensions.

Austerity is easy to preach for others but much harder to market at home. This is as clear in the

## Austerity is easy to preach for others but much harder to market at home.

U.K. as it is in Greece.

Exactly a year ago, David Cameron, leader of the Conservatives, told his party's spring conference that, if he won the general election, he would usher in a new "age of austerity."

As the election has come closer, that promise has disappeared from the rhetoric. "Austerity" isn't a word that resonates well with focus groups. It certainly wasn't to be heard from Prime Minister Gordon Brown Monday as he addressed a conference of nurses and promised them their pensions would be safe if his party were to win the vote on May 6.

Each of the three main

political parties has conceded there will have to be cuts in public spending but the sums they have talked about so far are tiny in relation to the scale of the problem. The Greek budget deficit, currently the cause of such drama, has recently been revised up to 13.6%. At 11.6% for the past financial year, the U.K. comes uncomfortably close to joining Greece in the delinquent class.

The three main parties all pay lip service to the need to reduce the deficit, but they don't want to spell out the measures that will be required. The governing Labour party has committed itself to halving the deficit by 2014 but quite how this would be achieved remains a mystery. The cuts it has so far sketched out add up to less than £10 billion a year.

This Thursday, the three main party leaders meet in the third and last of the pre-election debates, which have so far proved to have a dramatic impact on the opinion polls. This one, just a week ahead of the real poll, and concentrating on economic issues, could be decisive.

David Cameron should consider whether British electors might just be prepared to give credence to someone who is brave enough to be honest with them. Whatever the focus groups said, the opinion polls were more flattering for him when he did talk about the age of austerity. It was when he changed tack and started to suggest that

the first cuts would be quite small—in fact, almost painless—that the ratings began to slip.

Could it be that a majority of Britons realize just how dire is the state of the economy and they know that it has to be tackled? Could it be that they know that the public sector is inefficient and that the scope for cuts has to be huge? Might it even be the case that the U.K. electorate is prepared to take a more grown-up view of the situation than those Greeks who just want to carry on partying?

Mr. Cameron has to decide whether to give the electorate the credit for accepting that austerity is inevitable, whichever party wins. If that is the case, then the winner on Thursday night, and perhaps the following Thursday, too, will be the leader who talks honestly about the difficulties ahead but manages to convey that he has thought through the answers, or at least some of them.

Austerity isn't fun but at least with a leader who acknowledges the depth of the problem, there can be some hope of getting through it. A year ago, Mr. Cameron's message was very clear. Today, it has become fuzzy, bogged down in talk of the "Big Society," a concept that means little to the average voter even if it is dear to the Conservative leader's close colleagues.

Greek philosophers might have been able to argue the merits of the Big Society but a heavily indebted Briton, facing the prospect of an inevitable rise in interest rates, may not respond to the concept in the way that Mr. Cameron would like. In this election more than most, it will, in the end, be a case of "It's the Economy, Stupid."

Britons, happily outside the single currency, may together have little interest in, or sympathy for, the travails now being endured by Greece. But they surely don't want to find themselves in a similar situation. A stern voice warning that there are tough times ahead, but better ones beyond, could be persuasive.

## What's News

■ **U.S. Senate Democrats** agreed to kill a provision from their derivatives bill pushed by Warren Buffett's Berkshire Hathaway, a change one analyst predicted could force the company to set aside up to \$8 billion. 7

■ **Google backed away** from a plan to make its Nexus One smart phone compatible with Verizon Wireless, the largest mobile carrier in the U.S., scaling back plans to reshape the cellphone market. 19

■ **Volkswagen will increase** its investment in China by \$2.14 billion to a total of \$8.03 billion by 2012 to launch new vehicles and build two new plants. 23

■ **Bank of Ireland will seek** to raise \$4.57 billion to boost its capital under government requirements, leaving the state with a 36.5% stake. 27

■ **A suicide bomber failed** to hurt the British ambassador to Yemen in an attack in the capital, San'a. 10

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## ONLINE TODAY

### Most read in Europe



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2. A Successful Restructuring in Greece May Leave Weaker Europe
3. Wealth Q&A: Lloyds TSB's Martin Eyes Stock Pickers
4. Greece Confident of Bailout
5. Opinion: Richard Haass: The Palestine Peace Distraction

### Most emailed in Europe

1. A Successful Restructuring in Greece May Leave Weaker Europe
2. IMF Speeds Up Greece Efforts
3. Hungary's Fidesz Party Wins
4. Green Energy Rush Hit by Headwinds
5. Eruptions and Disruptions

### Iain Martin on Politics

[blogs.wsj.com/iainmartin](http://blogs.wsj.com/iainmartin)

"Cameron doesn't want to be at odds with the mood of the new politics if he falls short."

Iain Martin on Conservatives' hedging on the subject of U.K. electoral reform



### Continuing coverage



Goldman executives are set to testify before U.S. lawmakers. Follow the latest at [wsj.com/finance](http://wsj.com/finance)

### Question of the day

**Vote and discuss:** How would a hung Parliament affect the U.K. economy?

Vote online and discuss with other readers at [wsj.com/dailyquestion](http://wsj.com/dailyquestion). Plus, see expanded coverage of the U.K. election, including analysis, video and graphics, at [wsj.com/ukelection](http://wsj.com/ukelection)

### Previous results

**Q:** Do you expect Greece to default on its debt?

Yes

72%

No

28%

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NEWS



Associated Press

Metropolitan Transit Authority police stand guard in 2007 on a partly finished track of the Second Avenue subway in New York. Work there is being blamed for the movement of huge hordes of rats.

# Rats are on the march in New York

Residents on Upper East Side claim worst infestation in years; at night 'it looks like the street's moving'

By ANDREW GROSSMAN

An army of rats is scurrying into apartments, stores and even car engines on a stretch of New York's Upper East Side—and locals blame blasting for the Second Avenue subway project.

The infestation has left residents with what they say is the worst rat problem in decades. Things get especially ugly at night, says Walter Johnson, a 60-year-old maintenance worker.

"It looks like the street's moving," says Mr. Johnson, who has lived on 93rd Street east of Second Avenue since 1976. "It's just wild. You can't imagine how infested this place became."

T & Y Groceries on Second Avenue has been confronting rats since digging on the subway started three years ago, employees say. Early on, rats ate through plastic packaging to get at food stacked on shelves. Now, the store stocks merchandise in plastic bins to keep them out, says employee Harsh Patel.

Residents' squeaking recently spurred the Metropolitan Transportation Authority to look into the problem. But the contractor managing the project and an exterminator concluded in March that despite

signs of rats throughout the neighborhood the major source of the problem likely is an abandoned building on Second Avenue. The contractor, S3 Tunnel Constructors, is a joint venture between Skanska AB, Schiavone Construction Co. and J.F. Shea Co.

The blasting "may be exacerbating a pre-existing condition," the contractor wrote the MTA, recommending that the building be cleaned, baited and sealed and that other building owners take steps to fight rats. A survey didn't find evidence of rats in the work zone near 92nd and 93rd streets, the contractor wrote. The MTA has been excavating a giant cavern beneath Second Avenue between 91st and 95th Streets

that will serve as the launching area for a tunnel boring machine. MTA spokesman Jeremy Soffin says the contractors have a rodent-control program in place that includes bait and traps within the construction zone. "We believe that we're doing what's required," Mr. Soffin says. It's hard to pinpoint the single cause of any rat infestation. Experts say rats, like humans, want to be near food sources and won't move out of their homes if they don't have

to. The effects of large explosions night after night on rats aren't well documented, says Bobby Corrigan, a rodent expert who consults for the city's Department of Health and Mental Hygiene.

"The public has the perception that if there's construction, there's going to be rats," he says. "There's never any scientific evidence to show those things are correlated."

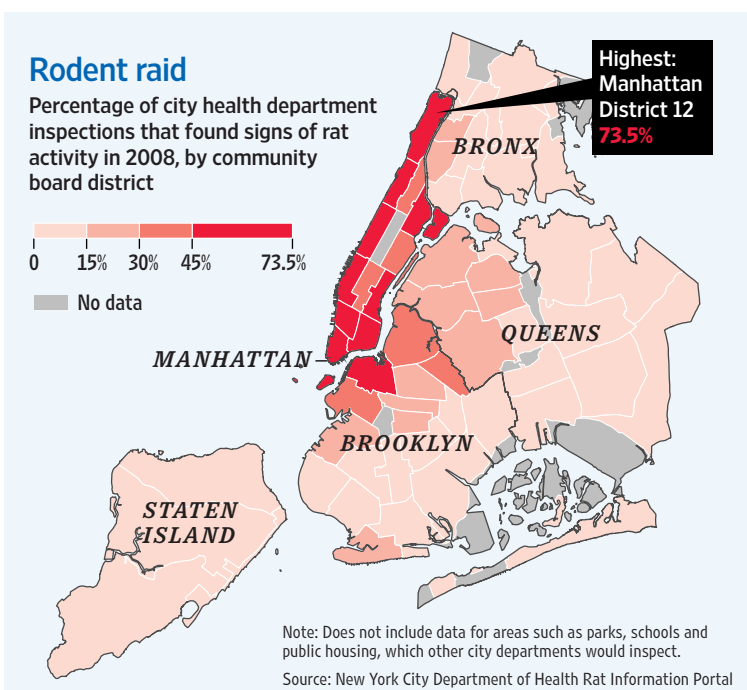
Says Rich Miller, owner of Broadway Exterminating Co. Inc. on the Upper West Side, "Lots of them will be killed during the construction. But lots will get away, and they're going to be looking for new and better places to go."

One place is under the hood of LeRoy Washington's brown Toyota Avalon. When alternate-side parking rules were suspended around Easter and Passover, Mr. Washington left his car in front of 318 E. 93rd St. for almost a week, he says.

One morning around 9 a.m., Mr. Washington says, he had to take his wife to the dentist. But when he turned the key, the car started to shake and people on the street shrieked, he says. Seven rats ran out from under the front of the car.

When Mr. Washington shifted into reverse, two more ran out. He says he was able to drive his wife 14 blocks south to the dentist and back, but the car was shaking so much he decided to have it towed to a dealership.

"My dashboard was lit up like a Christmas tree," he says. "Check engine, check oil, check everything." The rats had chewed wires



under the Toyota's hood, and built a nest from paper, he says.

"I'm not saying there's never been rats in this neighborhood," says Mr. Washington, 63 years old, who has lived in the area since 1970. "But it's never been like this."

The first phase of the project—which will connect a station at 96th Street and Second Avenue to the one at Lexington Avenue and 63rd Street—is due to be finished by late 2016, but federal officials say that it could take until 2018. The prospect of eight more years of con-

struction spurred Tara Reddi, a three-decade resident of 93rd Street, to form a block association. Top priority: fighting rats. "We are, until 2018, in a living hell," she says.

In the U.K., there were about 80 million rats in 2008 compared with 45 million 10 years before, said Rentokil, which makes pesticides.

In Paris, problems with rats meant that in 2008 residents risked prosecution if they didn't get rid of rodents in businesses and homes. Neighbors were asked to denounce one another for not taking action.



## EUROPE NEWS

# Merkel puts strings on aid to Greece

German chancellor says Athens needs to implement rigid deficit-reduction plan before EU, IMF can provide cash

BY ANDREA THOMAS  
AND PATRICK MCGROARTY

BERLIN—German Chancellor Angela Merkel said Greece had to commit to a rigid deficit-reduction plan for years to come in order for the European Union and International Monetary Fund to provide cash to prevent a Greek insolvency.

Ms. Merkel, who said the IMF's managing director, Dominique Strauss-Kahn, told her on Sunday that talks on conditions and other details of a bailout package could continue into early May, said that "Greece has to accept harsh measures for several years." Mr. Strauss-Kahn is scheduled to visit Berlin on Wednesday.

What makes the timing of a deal significant for financial markets is a May 19 redemption deadline for maturing Greek government bonds that, if unpaid, could result in the government defaulting on its debt.

"It is extraordinary that a euro-zone member country finds itself a mere three weeks away from a potential default, with a clear possibility that uncertainty will only be resolved at the last minute," said Marco Annunziata, chief economist for UniCredit Group, in a research note after the news from Berlin.

Ms. Merkel said that she sympathizes with Germans who are upset over the idea of a bailout for a euro-zone member, and that the aid will be given only after Greece agrees to strict and clear terms. But she said Greece's departure from the euro zone isn't an option.

Germany has agreed to the outline of a plan through which it would contribute €8.4 billion (\$11.24 billion) to a €30 billion package from euro-zone countries as a whole. The IMF would provide an estimated €15 billion in additional help.

German Finance Minister Wolfgang Schäuble met Monday with parliamentary leaders to try to reach a consensus on providing Greece with financial aid. The dis-



German Finance Minister Wolfgang Schäuble gives a news conference in Berlin on Monday.

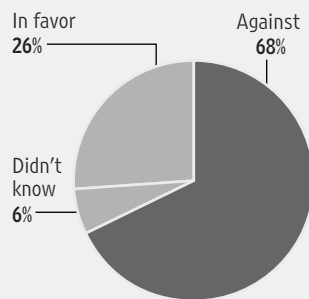
cussions were an attempt to align political backing for Germany to commit quickly to the EU's rescue package. All parties have to agree if the government is to put approval of an aid package on a fast track.

After Greece officially asked for aid on Friday, perceived German reluctance to financial support without delay contributed to new nervousness in financial markets. The euro dropped sharply against other major currencies Monday as worries of a Greek default returned.

German Foreign Minister Guido Westerwelle, attending a meeting of EU foreign ministers in Luxembourg, said earlier on Monday that the country won't provide Greece with financial aid before Athens provides a credible plan for reducing debt and budget deficits. "Making promises of concrete aid too soon will only have the effect of taking the

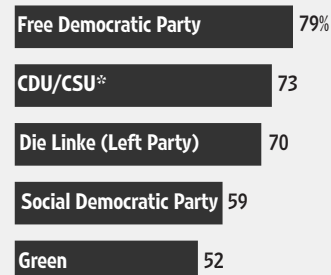
## Bailing? | A Greek bailout is a tough sell in Germany

A majority of Germans are opposed to helping Greece with credit



\*Christian Democratic Union and Christian Social Union  
Note: Poll of 1,250 eligible voters, with a margin of error of +/-2.7%, was released on March 26  
Source: ZDF

Percentage of people who said no to the Greek bailout, by political party:



pressure off Greece," Mr. Westerwelle said.

Italian Foreign Minister Franco Frattini expressed concern about Germany's "intransigence" over

Greece, saying a quick rescue operation is needed to support the euro's stability.

Back in Berlin, the parliamentary floor leader of Germany's opposition

Social Democratic Party, Frank-Walter Steinmeier, said banks with outstanding loans to Greece should contribute to the country's financial bailout.

"Now it is important to find ways and means to have creditor banks contribute to the solution of the Greece problem," he said as he went into the meeting.

The comments were echoed by Germany's two other opposition parties, the Left and the Greens.

The Greens' Renate Kuenast told reporters her party won't allow "back-room" decisions.

"We demand a clear, parliamentary legislative procedure," she said. "We want to very clearly talk about rules and conditions about who will pay if there is a default and the state has to assume the guarantees."

Volker Kauder, parliamentary floor leader of the ruling conservative parties, including Ms. Merkel's Christian Democratic Union, said on German television that "we will have to help, but the conditions aren't met yet" and Greece's austerity efforts must be credible.

"We have said that we will help when it's about the stability of the euro. We are now in this situation," Mr. Kauder said.

Opposition parties blame electoral politics for Berlin's lack of haste to help Greece. Ms. Merkel's party faces a tight regional election in the state of North Rhine-Westphalia on May 9. With German aid for Greece deeply unpopular in Germany, early commitment to bail out the country could change the minds of some voters and could cost Ms. Merkel her majority in the upper house of Parliament.

Greece has said it wants aid from the joint EU-IMF loan mechanism to be made available within days of its formal request, which Athens made Friday. Mr. Schäuble said over the weekend, however, that the government and the EU haven't yet made any decision and the response "can be positive and negative."

# Accused French polygamist defends actions



Lies Hebbadj, left, and his wife, who refused to be named, speak to reporters.

Associated Press

PARIS—A Muslim Frenchman at the center of a firestorm over polygamy hit back at criticism Monday, saying that keeping mistresses wasn't illegal.

The man's case came to light after his wife was fined for driving with a veil covering her face, and his comments were an ironic riposte to those in French President Nicolas Sarkozy's government who want to push immigrants to better integrate into French society.

The 31-year-old woman drew nationwide attention last week to a driving fine she received for wearing apparel that hinders her vision. But it soon emerged that her husband may have four wives—although it was doubtful the marriages were official under French law.

The situation appeared to be a boon to Mr. Sarkozy, who is trying to enact controversial legislation forbidding burqa-style Islamic veils that cover the face, on the grounds that they don't respect French values or women's dignity. But it has

stoked debate and may backfire on legal grounds.

Interior Minister Brice Hortefeux wants to revoke the French citizenship of the driver's husband if he is found to be practicing polygamy. The man is also suspected of profiting from state subsidies for single women provided to each of the wives.

Algerian-born Lies Hebbadj defended his lifestyle Monday by turning the notion of polygamy on its head. "If we are stripped of nationality, for having mistresses," Mr. Hebbadj told reporters in Nantes, then "there would be a lot of French people stripped of nationality. As far as I know, mistresses are not forbidden, neither in France, nor in Islam."

Authorities are looking into whether Mr. Hebbadj was married to four women in French civil ceremonies. Were he married in religious ceremonies by imams in Algeria or in France, these unions wouldn't count as marriages under French law, said Rabah Hached, a Paris lawyer who specializes in immigration issues. In that case, each of the officially unmarried women could po-

tentially receive state aid for her children.

"It's not forbidden to have a mistress," Mr. Hached said by telephone. While stressing he doesn't know details of the case, Mr. Hached said that "I strongly suspect this gentleman we're talking about is within his rights."

Many Muslims fear a law banning face-covering veils because they say targeting the tiny minority of women who cover their faces stigmatizes France's entire Muslim community—at an estimated five million people, the largest in Western Europe.

Those who want a full ban on the face-covering veil contend the garment is a signpost of a radical interpretation of Islam.

A French bill that would outlaw the veils in all public places will be introduced in May, despite a ruling by France's highest administrative body that it risks being found unconstitutional. Prime Minister François Fillon met Monday with Muslim leaders and the justice minister to lay the groundwork for an eventual law.



EUROPE NEWS



Getty Images

Prime Minister Gordon Brown visits with voters in Weymouth, England, on Monday. The May 6 election is set to be one of Britain's closest in decades and could result in a hung Parliament.

# Labour guards electoral advantages

BY ALISTAIR MACDONALD

LONDON—The ruling Labour Party may well finish third in the popular vote in the U.K.'s May 6 election—but it could retain the most seats in Parliament and even keep control of No. 10 Downing Street, thanks to the complexities of Britain's electoral system and some built-in advantages.



The longtime No. 3 party, the Liberal Democrats, could ride a recent jump in popularity to a bigger slice of the popular vote, yet fail to win nearly as many seats as that surge implies.

These surprising scenarios in the U.K.'s closest election in decades are in part a consequence of the sudden arrival of three-party politics here. The Liberal Democrats' recent strength is creating one of the tightest races in memory with a variety of potential outcomes. The result could be something akin to the 2000 U.S. presidential race, in which a party loses the popular vote but wins the election.

"We have always known it could happen," says University of Bristol Prof. Ron Johnston. "But this is the first time since 1974 where it looks like the result could be all over the place." In the 1974 election, Labour

won the most seats, but not the most votes.

The U.K. has long been dominated by two parties, Labour and Conservative, one of which usually wins a majority of seats in Parliament and sees its leader become prime minister. But in the last 10 days, this year's election has been hijacked by a third party—the Liberal Democrats—which has climbed in the polls on strong televised debate performances by its leader Nick Clegg.

That has increased the possibility of a so-called hung Parliament, in which no party has a majority of seats. Factors ranging from the number of seats each party already controls to the places where each is the strongest could result in unusual postelection scenarios.

A ComRes telephone poll of 1,003 adults for ITV and the Independent newspaper, released late Monday, showed the Conservatives with 32%, the Liberal Democrats with 31% and Labour with 28%.

Labour's potential advantage—despite its flagging status in opinion polls—are prompting rivals to jockey for position. Mr. Clegg has complained of the prospect of unpopular Labour Prime Minister Gordon Brown "squatting" in No. 10 without a voter mandate. In such a scenario, anger could spread from Labour's political rivals to the public, where steam is building to demand reforms to one of the world's oldest parliamentary democracies.

Labour owes its ability to hang on despite the weak economy to several advantages. Since Tony Blair's landslide victory in 1997, La-

bour has an advantage in the number of seats it holds in Parliament that is out of proportion to its share of the popular vote. In the last election in 2005, Labour won 36.2% of the votes but 56.5% of the seats in Parliament. The Conservatives won 33.2% of the votes but only 31.5% of the seats. The Liberal Democrats won almost one in four votes but fewer than one in 10 of the seats.

The result: Labour won three percentage points more of the vote than the Conservatives, but dominated Parliament with 355 seats to the Tories' 197. To overcome that advantage, political analysts estimate that the Conservatives will need to win around six percentage points more of the vote, just to overcome the disparity.

The chief reason for this is that Labour wins seats in Parliament

with fewer votes. Labour-heavy Scotland and Wales have more seats compared with their population than Tory-leaning England. Even in England, Conservative constituencies are larger. The average Tory seat held 72,950 voters, and the average Labour seat 66,802, according to Prof. Johnston. That is partly because Labour holds old industrial cities that have been losing population for many years.

Labour has also been successful in targeting and winning so-called marginal constituencies—seats in which the vote could swing either way. "Labour is getting votes where they are more useful," said Roger Mortimore, head of political research at pollster Ipsos MORI.

For all the talk of a surge in Liberal Democrat support—the party has even led some opinion

polls—Labour's ability to target marginal seats will again be crucial. "Our own sense is that the traditional feature of this most untraditional of elections is that it will be decided in approximately 100 Labour-Conservative marginal seats," said Douglas Alexander, the Labour Party's election coordinator, in a Monday news conference.

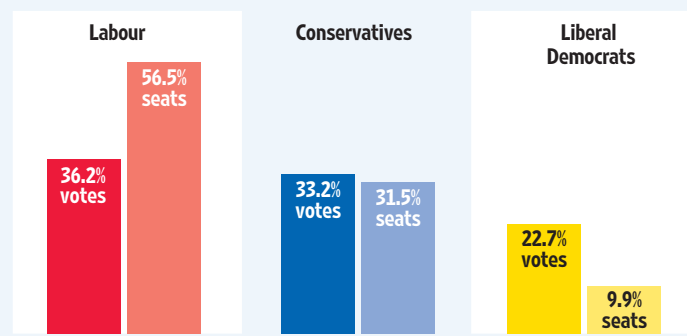
The Liberal Democrats have some handicaps in the quest to turn their newfound popularity into seats in Parliament. The party has fewer traditional strongholds than its rivals. Its popularity is rising, but thought to be thinly spread across the country.

At the same time, the Conservatives' status at the top of opinion polls is also somewhat deceptive. Its voters—often more educated, more affluent and older than Labour voters—typically turn out strongly for elections, even in safe seats. That allows the party to pile up a bigger slice of the popular vote without acquiring as many seats.

And the British electorate is still shifting in other ways. The huge wave of immigration into Britain over the past 13 years has injected typically Labour-supporting immigrants into some non-Labour areas. That phenomenon works in reverse in some places, as the gentrification of poor and immigrant areas shifts the balance from left to right. Popular and Limehouse, in the heart of London's immigrant-heavy East End, may fall to the Tories this year, partly as a result of more expensive riverside apartments built to accommodate workers in the bordering Canary Wharf financial district.

## Uphill battle

British voting districts are drawn in a way that means Conservatives need to win more of the popular vote than the Labour party to win the same amount of seats. Results from the 2005 election.



Source: Professor Ron Johnston, University of Bristol.

# Corporate distress climbs in U.K., reflecting fragile recovery

BY AINSLEY THOMSON

LONDON—More than 160,000 U.K. companies owing £55 billion (\$85 billion) in liabilities are experiencing significant or critical financial distress, underlining the fragility of the economic recovery, a survey from corporate recovery and insolvency specialists **Begbies Traynor** showed Monday.

The survey, called the Red Flag Alert, which monitors the warning signs of companies in distress, found the number of companies experiencing significant or critical financial problems has increased to 161,601 in the first quarter of 2010, 14% higher than in the fourth quarter of 2009.

Begbies Traynor defines companies with significant problems as

those facing a court action or with insolvent or out-of-date accounts, while those with critical problems are businesses with judgments from county courts judgments adding up to more than £5,000 (\$7,688) or facing a winding-up petition, which amounts to a compulsory liquidation.

The number of companies in distress peaked in the first quarter of

2009 at 185,773 and then started to decline, falling to 134,000 in the third quarter.

However, in the fourth quarter, the number of companies in distress rose to 141,527, and went up again in the first quarter of 2010.

The increase came despite an improvement in the overall U.K. economy.

Begbies Traynor said the recov-

ery phase of the economic cycle is when vulnerable companies are most at risk. They are forced to spend more on capital expenditure to compete with the growth of their better-financed peers just as government stimulus is withdrawn.

Begbies Traynor said a future increase in interest rates would place further pressure on stressed companies.



## EUROPE NEWS

# Orbán talks tough on debt

Premier-elect says Hungary will take a strong position in negotiations with IMF and EU

BY MARGIT FEHER

BUDAPEST—Hungary's new government will take a strong position when renegotiating the country's debt-reduction agreement with the International Monetary Fund and European Union, the prime minister-elect said.

"Neither the IMF nor the EU are our superiors. We are not their subordinates," Viktor Orbán told a news conference. "If we take their help, we need to negotiate with them and we will. We won't listen to dictates but aim to have an economic program which wins them over as our partners."

Mr. Orbán's center-right opposition Fidesz party won a landslide victory in Sunday night's second round of general elections. Ousting the Socialist party, which had been in power for eight years, Fidesz garnered a two-thirds parliamentary majority, a feat unprecedented since Hungary's shift to a market economy 20 years ago.

Clearing the two-thirds threshold provides Fidesz with a chance to more easily implement much-needed fiscal measures, economists say.

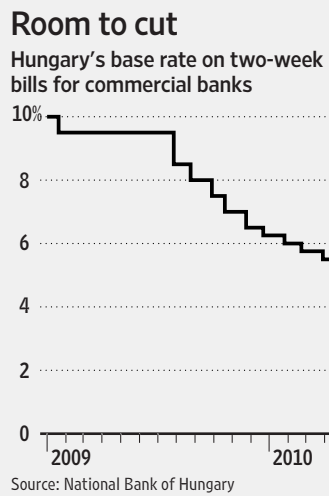
**Hungary's public debt is nearly 80% of annual GDP, the biggest in Central and Eastern Europe. The country is targeting a 2010 budget deficit of 3.8% of GDP.**

Hungary was hit particularly hard by the global credit crisis of late 2008 because of its high external debt, large stock of mortgages and consumer loans tied to the Swiss franc and the euro. It was the first EU country that needed IMF support.

"We believe that the international authorities are likely to tolerate higher deficit figures in 2010-2011 if structural reforms improve growth prospects and help to cut the debt ratio on a sustainable reclining path," said Eszter Gargyan, an economist at Citigroup in Budapest.

Hungary's public debt is nearly 80% of annual gross domestic product, the biggest in Central and Eastern Europe. The country is targeting a 2010 budget deficit of 3.8% of GDP, narrower than 3.9% last year, but Mr. Orbán said that without further measures, the deficit will be much wider than that.

The IMF and financial markets would likely tolerate a revision in



the 2010 budget-shortfall target of no more than 6% of GDP, economists said.

"Driven by commitments under the €20 billion [\$26.76 billion] IMF program, Hungary's initial economic adjustment has been impressive, with the current account swinging into surplus in 2009 and a strong underlying fiscal position relative to many EU peers," said David Hestlam, director at Fitch Ratings' sovereign team.

However, a permanent loosening of fiscal policy that fails to stabilize the government's debt burden and set it on a downward path over the next couple of years will increase negative pressure on Hungary's sovereign ratings, added Fitch, which has a triple-B rating on Hungary's foreign-currency debt and a triple-B-plus rating on long-term local-currency debt, with a negative outlook.

Implementing potentially unpopular overhauls such as reforming local government and reducing public services could support rating improvements over the medium term, said fellow credit-rating agency Standard & Poor's. S&P has a triple-B-minus rating on Hungary's long-term foreign-currency debt, with a stable outlook.

Mr. Orbán used his news conference to question the credibility of the country's central bank. "The central bank shouldn't be home to offshore knights," Mr. Orbán said, referring to its governor, Andras Simor, who once owned an offshore company in Cyprus.

Mr. Orbán said the Fidesz government plans to investigate the central bank and financial-market regulator PSZAF for failing to defend borrowers who had loans linked to currencies other than the forint when the economic crisis hit, which raised borrowers' payments.

His comments bolster market ex-



Prime Minister-elect Viktor Orbán at a news conference in Budapest Monday.

pectations that the new government may want to merge the central bank and the PSZAF, which could, in turn, provide the legal basis to oust Mr. Simor.

Mr. Simor declined to comment on Mr. Orbán's remarks, saying the central bank will continue to observe its price-stability mandate and support the government's economic

policy as long as that doesn't undermine its primary mandate.

As expected, the central bank cut interest rates by 0.25 percentage point to a record low of 5.25% Monday amid a benign inflation outlook and prospects for a slow economic recovery.

—Veronika Gulyas  
contributed to this article.

## Kaczynski twin will run for Polish presidency

BY MARYNIA KRUK

WARSAW—Jaroslaw Kaczynski, the identical twin brother of the late Polish president who died in an air crash earlier this month, will run for president, he said in a statement Monday.

Mr. Kaczynski's decision was anticipated after his brother Lech—who was preparing to run for re-election—died with 95 others on April 10. Lech Kaczynski's Tupolev aircraft crashed in western Russia on the way to commemorate the 1940 Katyn massacre of Poles by Soviet secret police.

"The tragically interrupted life of the President of Poland, the death of Poland's patriotic elite, means one thing," said Mr. Kaczynski. "We must finish their mission. We owe it to them, we owe it to our country...we have a duty to fulfill their will."

That call to an unfinished patriotic mission already looks likely to define Mr. Kaczynski's election campaign, in the wake of the elaborate state ceremonies that surrounded his brother's death. Lech Kaczynski was buried April 18 among Poland's kings and national heroes in a ceremony filled with military and Catholic pomp, which opponents denounced as politically motivated. The burial location was chosen by the late president's family—Lech Kaczynski and his wife, Maria, left behind a daughter and a mother, in addition to Jaroslaw Kaczynski.

Opinion polls taken since the April plane crash suggest the Law and Justice party, which the Kaczynski twins founded, has received a bounce in public support since the crash. But the polls differ widely as to how large that bounce is. Most analysts believe Mr. Kaczynski is likely to lose the election to Bronislaw Komorowski, the candidate from the governing Civic Platform party, though the crash has made the poll's outcome less predictable. The vote is set for June 20.

Analysts believe Mr. Komorowski will benefit from the relative resilience that Poland's economy has shown during the financial crisis, as well as from Jaroslaw Kaczynski's strong negatives outside his conservative base. Poland's economy grew by 1.8% in 2009, and is forecast to grow by close to 3% this year.



Jaroslaw, top, and Lech in 2007

## Putin, Berlusconi meet

A Wall Street Journal Roundup

Italian Premier Silvio Berlusconi held talks at one of his villas with Russian Prime Minister Vladimir Putin on Monday to strengthen business ties in the energy sector.

The talks near Milan focused on business relations, with both leaders expressing hope that trade would rebound from the economic crisis.

Mr. Berlusconi said the global financial crisis had resulted in a 30%

fall in trade between Italy and Russia.

As part of the event, Enel SpA and Russia's state-controlled Inter RAO UES signed an agreement to together build a nuclear-power plant in the Russian region of Kaliningrad.

With two units of 1,170 megawatts each, the plant will export a "significant proportion" of the electricity it produces to nearby European markets when it comes into

operation between 2016 and 2018, a joint statement said, adding that it is "the first nuclear public-private partnership in Russia."

Monday's accord will allow the Italian utility to expand in Russia and Eastern Europe, said Mr. Berlusconi in the joint news conference with Mr. Putin in Lesmo, near Milan.

The leaders also discussed increased cooperation between Russia's OAO Gazprom and Italy's Eni SpA.

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## U.S. NEWS

# Democrats deny Buffett on provision in a key bill

By DAMIAN PALETTA  
AND MICHAEL R. CRITTENDEN

WASHINGTON—Senate Democrats agreed Monday to kill a provision from their derivatives bill pushed by Warren Buffett's **Berkshire Hathaway Inc.**, a change one analyst predicted could force the Nebraska-based company to set aside up to \$8 billion.

The Senate Agriculture Committee inserted language into its derivatives bill last week at the request of Sen. Ben Nelson (D., Neb.) that would have exempted any existing derivatives contracts from new collateral requirements—the money set aside to cover potential losses.

Berkshire has \$63 billion in derivatives contracts, and Mr. Buffett has boasted he holds very little collateral against these products. His push was notable because he has warned of the potential dangers of derivatives, famously branding them “financial weapons of mass destruction.”

The provision could have been a problem for Democrats, who saw their health-care overhaul stagger under the weight of similar home-state favors, including one for Mr. Nelson.

The provision wasn't included in the financial-overhaul bill passed by the Senate Banking Committee in March, and lawmakers had to reconcile differences in the banking and agriculture bills.

The provision would have helped all companies with existing contracts. Capitol Hill aides said, however, that Berkshire pushed forcefully for the change because of its large book of derivatives.

Barclays Capital said Monday the Senate bill now “could result in a drain on the company's excess cash” and force Berkshire to set aside between \$6 billion and \$8 billion in capital.

Treasury Department officials worked to kill the provision, arguing that regulators should have the flexibility to require companies to post more collateral if they could pose a threat to the broader financial system, like that created by **American International Group Inc.** in 2008.

Berkshire officials argued existing derivatives should be exempt because they are legal contracts that can't be retroactively amended.

The provision was inserted into the agriculture panel bill after Mr. Nelson pushed to have it included, a Democratic Senate aide said. Berkshire Hathaway employees have given Mr. Nelson \$75,550 over his political career, according to the Center for Responsive Politics. Mr. Nelson owned between \$500,000 and \$1 million in Berkshire stock as of May 2009, according to disclosure records.

A spokesman for Mr. Nelson said Friday that money had no influence in Mr. Nelson's role in the matter and that Mr. Nelson has long felt that new laws shouldn't apply retroactively to existing contracts. The spokesman didn't return phone or email messages left Monday.

Officials at Berkshire Hathaway didn't return calls seeking comment Monday.

The White House and Treasury Department lobbied against the provision sought by Berkshire, on the grounds that they wanted flexibility to force companies to hold more



Associated Press

Berkshire CEO Warren Buffett wanted a derivatives bill to exclude existing contracts from a collateral requirement.

collateral against their derivative positions.

On Sunday night, Democrats reached a tentative deal to set restrictions on trading in derivatives, but the matter of the Berkshire provision was left unclear.

Sunday night's deal, hammered out by Senate Banking Chairman Chris Dodd (D., Conn.) and Senate Agriculture Chairwoman Blanche Lincoln (D., Ark.) reflects the populist, anti-bank sentiments simmering on Capitol Hill. The deal is expected to be folded into a broader Democratic measure that revamps the U.S. system of financial regulation.

The decision to take out the provision Monday morning came just hours before a test vote in the Senate that was to determine whether Democrats could begin debating the bill on the Senate floor.

Sen. Richard Shelby of Alabama, the ranking Republican on the Senate Banking Committee, said Monday he expected Republicans to stick together on the test vote to defeat efforts to move ahead with the legislation. He predicted negotiations with Democrats would continue and that a compromise would be reached before long.

Monday night's procedural vote was to be the first major test of Senate support for the top domestic policy agenda—after health care—of the Obama administration. The House of Representatives passed its version of financial-overhaul legislation last year, while Mr. Dodd has been working for months to negotiate the disparate Senate factions in order to move his own proposal.

Derivatives are bets between two parties on the future price of a good, such as oil or mortgages. They are typically used by companies to manage risks; airlines use derivatives to lock in future fuel prices. In

addition, investors trade them for profit.

Mr. Buffett has been a vocal critic of how some in the financial markets use derivatives. In making his case for regulation, Mr. Obama in a New York speech last week quoted Mr. Buffett's “financial weapons of mass destruction” remark, which was made in Berkshire's 2002 annual report.

In his letter to investors this year, Mr. Buffett, an Obama supporter, wrote that while Berkshire Hathaway has “long invested in derivatives,” the contracts “can be dynamite.”

Mr. Buffett has accumulated huge positions in derivatives through Berkshire. MidAmerican, one of the nation's largest utility operators, uses derivatives to hedge against changes in the price of energy.

Berkshire has argued that Congress doesn't have authority to make it redo existing contracts, especially since the company is sitting on about \$20 billion in cash. Mr. Buffett has said he rarely has to post collateral.

The big beneficiaries of the legislation could be Wall Street firms that create the derivatives. If the businesses have to post collateral, the Wall Street firms can dispense with buying their own insurance against a default on the instruments.

In March, Mike Johanns (R., Neb.) pushed a similar amendment in the Senate Banking Committee. It wasn't formally offered after Republican lawmakers decided to pull all their amendments.

“There is bipartisan agreement that changing the requirements of existing contracts midstream is wrong and unreasonable,” Mr. Johanns said in a statement.

*‘Hi. My name is America, and I’m a deficit addict.’*

## [ CAPITAL JOURNAL ]

By GERALD F. SEIB



The giant federal deficit and debt—the subjects everybody loves to talk about but nobody likes to do anything about—move back to center stage in Washington this week as a new debt commission gets rolling and a high-profile conference is convened.

Don't expect much to actually happen this year, an election year in which political leaders will grow increasingly allergic to making hard decisions. But here's a humble suggestion on how to make a nice start in addressing the nation's yawning deficit problems: The two parties could confess their original sins and acknowledge what needs to be done.

This suggestion arises in large measure because President Barack Obama's newly appointed, bipartisan National Commission on Fiscal Responsibility and Reform—let's just call it the debt commission—is to hold its first meeting on Tuesday.

Then, on Wednesday, the Peter G. Peterson Foundation, the nation's leading scold on deficit and debt, holds an all-star conference in Washington. Former President Bill Clinton, current budget director Peter Orszag, the chairmen of the new debt commission—Republican Alan Simpson and Democrat Erskine Bowles—and former Fed chairman Alan Greenspan all will be on hand. If earnest talk is enough to solve the debt problem, it will be fixed by 2:30 p.m. Wednesday.

Alas, earnest talk isn't enough. Political will and a modicum of bipartisanship are required. Most political will in Washington is devoted right now to prevailing in this fall's midterm election, and bipartisanship is rare as an empty New York cab in the rain.

So in practical terms the most one can hope for in coming months is a modest start. The presidential commission delivers its report to the White House in December, provided its Democratic and Republican members can agree on something. That's after the midterms, and nobody's required to do anything with the report even then.

But first steps can be valuable. We're dealing here with an addiction: The American government and—yes, let's be honest—the American people are addicted to deficit spending. Nearly everybody in America expects more from government than taxpayers will pay for.

And the first step in dealing with an addiction is to acknowledge your problem. So maybe both parties could start by being honest about what they've done recently to make this problem worse.

Republicans could acknowledge that they sinned in recent years by launching a giant new entitlement program during the George W. Bush administration—a prescription-drug benefit for

Medicare recipients—without really paying for it. They prosecuted two wars, in Iraq and Afghanistan, without asking for either tax payments or spending discipline to pay for them.

For their part, Democrats should acknowledge that they have sinned in two big ways during the Obama administration. First, they set out to trim billions of dollars in prospective Medicare spending but used the money to expand health care for others rather than to extend the life of Medicare itself. And second, the president's pledge not to raise taxes on any family making under \$250,000 is a straitjacket that creates the impression you can solve a problem of this magnitude while leaving about 95% of taxpayers off the hook.

**Maybe both parties could start by being honest about what they've done recently to make this problem worse.**

If we want, we can also give the two parties credit where credit is due. President Bush tried to deal with Social Security's rising cost, at great political peril. The Obama administration insisted that its big health plan didn't add—at least directly—to the deficit; it also set up the debt commission by executive order when Congress balked.

With that as backdrop, it would amount to progress if both parties, via the debt commission, agreed that two steps can't be avoided:

■ The tax system has to be changed. The U.S. doesn't have a system that can fund the government the country wants. The Tax Foundation says the levies paid by the top 1% of taxpayers now exceed those paid by all of those in the bottom 95%. And the Tax Policy Institute says almost half of all filers will pay no 2009 income taxes at all, because of various exclusions and credits—up, by some estimates, from a quarter in 1990.

This may be great for those who like soak-the-rich rhetoric, but it's no way to finance a country. More than that, it's a bit of a hoax on middle- and lower-middle-class Americans. They certainly pay payroll taxes, and the more they are excused from the income tax-system, the more likely it is that they will be hit with sneakier and less-progressive taxes. Tax reform—a flatter tax system, a value-added tax, something—is needed.

■ Americans have to change how they think about retirement. When the economy recovers and costs for recession-related bailouts, stimulus spending and unemployment benefits are resolved, we'll still be left unable to really afford our Social Security, Medicare and long-term-care commitments. When the easier stuff is done, this is the hard reality, requiring a new and nonpoliticized national discussion.



## U.S. NEWS



Associated Press

The troublesome fish were brought before a U.S. congressional committee hearing in Washington, D.C., on water resources and the environment in February.

# A fix for Asian carp woes: Just eat it

*Chicago chef puts pesky fish on menu, hoping to put a dent in its numbers; carp-accio with watermelon, anyone?*

By LAUREN ETTER

CANTON, Ill.—Chef Phillip Foss gazed into the mouth of the giant, slippery Asian carp that had just flopped into the back of a boat writhing with two tons of the fish. “Mmm, carp,” said Mr. Foss of the 25-pound catch.

For months, Mr. Foss has been trying to elevate the invader fish to fine-dining at his swanky Lockwood Restaurant and Bar in downtown Chicago.

He has tried to entice diners every which way: carp ceviche with lime and fiddlehead fern; broiled carp with grilled fennel; carp chowder; and even *carp-accio*, a play on the raw Italian dish *carpaccio*, which Mr. Foss makes with a thinly sliced version of the fish served with watermelon.

Customers seem to like the fish, he says, which, like most freshwater fish has a somewhat bland taste and is best prepared with a light sauce or spice.

Mr. Foss, who gets fired up when talking about the possibilities of denting the carp population through new markets for the fish, says he enjoys the challenge of taking a fish that has such a bad reputation and turning it into haute cuisine.

But the fish may not remain on his menu. That’s not because Mr. Foss regards it as unworthy next to his Scottish salmon or Alaskan yelloweye rockfish. Rather, it’s because getting the carp from the muddy Illinois River onto his restaurant’s fancy china is messy and expensive.

Asian carp were imported to the southern U.S. in the 1970s to suck up scum from catfish ponds. But they’ve become monsters in the eyes of many as they have migrated North.

They can grow to be 100 pounds and tend to leap crazily out of the water, bruising and breaking boaters’ bones. Also, they threaten local fish species.

The fish have gotten a lot of attention recently since it was discovered they had migrated north up the Mississippi River basin and broken through an electric barrier designed to keep them out of Lake Michigan.

The state and federal governments have poisoned the water to kill the fish and doled out millions of dollars to various agencies to eradicate them. But sporadic attention has been given to another potential solution: eating the Asian carp out of existence, or at least making a dent in the population.

Enter Mr. Foss. Earlier this year, his fish supplier, Carl Galvan of Chicago’s Supreme Lobster & Seafood Co., gave him a 15-pound Asian carp. Mr. Galvan had been asked by a local news outlet to supply area chefs with the carp for a feature on how to cook the fish.

“A lot of people wanted to throw it out,” Mr. Galvan says. “They couldn’t get past the bones.”

The bone structure in an Asian carp makes it difficult to carve out a boneless hunk for cooking. And despite a glut of the fish in area waters, it is relatively expensive. Fishermen are fetching about 15 cents a pound for the fish whole. But only a fraction of it is usable after butchering, making the price for a filet more than \$15 a pound, as expensive as high-end seafood, such as halibut and lobster.

Last week, Mr. Foss journeyed to the local source of Asian carp. He cruised Rice Lake outside Canton, Ill., about 200 miles south of Chicago in a 15-foot fishing boat with the burly, bearded Orion Briney, a veteran fisherman, who has been fishing the Asian carp for years.

Mr. Briney said he catches about four-million pounds of the carp every year, mainly from the shallow lake outside Canton, Ill., near the Illinois River. He sells most to a local fish processor, which exports much of it., Schafer Fisheries, a big Asian carp processor, which sits on the



Chef Phillip Foss crafts a dish from Asian carp in his Chicago kitchen.

banks of the Illinois River

Mr. Briney’s three workers, clad in chest-high waders, banged on the side of the boat with fish hooks and Mr. Orion revved his motor to drive the fish to the surface.

The men dropped four nets as Mr. Briney circled to sweep up the fish. Soon the stern was knee-deep with about 4,500 pounds of fish.

“A small catch,” Mr. Briney said. He and his crew have suffered

bruises and broken bones from the fish.

Asian carp are widely eaten in Asia and Europe, and the U.S. has exported them to those markets for years. Israel has been a big destination for U.S. Asian carp where they are turned into Gefilte fish patties. But in December, Israel started levying a tariff on U.S. Asian carp, all but shutting down that market.

Mr. Foss initially had no idea

what to do with the 15-pounder that Mr. Galvan dropped off in February. Later that night the 40-year-old chef recalled a recipe that involved encrusting sea bass in potato and pan-frying it until crispy. He thought the method might work with Asian carp. The next day, he whipped it up and offered it to some food writers and colleagues.

A few weeks later he put broiled Asian carp with grilled fennel and radicchio on the Lockwood menu. Since then, off and on, he has featured some version of the fish on his menu. Mr. Foss has also helped spur talk in Chicago about the possibilities of turning Asian carp into something everyone eats.

A spokesman for the Illinois Department of Natural Resources says the department is exploring “new markets for these kinds of fish” including culinary ones.

Schafer Fisheries, a big Asian carp processor that sits on the banks of the Illinois River, said it is examining new creations such as fish patties, fish sticks and surimi, a white-fish mixture used for imitation crab meat. A few other high-end Chicago chefs also are experimenting with Asian carp.

Fish biologist Duane Chapman at the U.S. Geological Survey, says a potential drawback to creating new markets for the fish is that people could become so economically intertwined with them that there would be less incentive to eradicate it should anyone ever actually figure out how to do that.

Still, he says, right now “we don’t care how many [of them] people kill...We’d like people to kill more of them.”

That’s good news for Mr. Foss.

On his menu over the weekend he featured an Asian-carp ceviche with roasted peppers and olives on a garlic crouton. He called it Lockwood’s Shanghai Bass Ceviche. It sold out. “Every guest loved it,” he says.



U.S. NEWS

# Candy bars behind bars

Junk-food lifts inmates' spirits, prison revenue, but critics are uneasy

By Stephanie Simon

In a bid to raise cash and keep the peace in crowded jails, wardens nationwide are offering inmates the chance to order meatball subs, cheeseburgers, chicken parmesan—even a “Pizza and Wings Party Pack,” complete with celery, blue cheese and a Pepsi.

The program goes beyond the old-fashioned prison commissary, with its cup-a-soups and bags of chips, and it can be quite lucrative for corrections departments.

“We have to be creative in tough fiscal times,” said Edwin G. Buss, commissioner of Indiana’s Department of Correction.

But critics worry the service will trigger jealousies, promote unhealthy diets and coddle prisoners.

The service, launched in 2006 by food-service giant **Aramark Corp.**, took off in the past two years amid the recession. Inmates—or, more often, their relatives—place orders on Aramark’s “iCare” Web site. The company tailors its menus to each jail’s rules.

Prices generally run \$7 to \$12 for a hot meal and \$20 to \$100 for a junk-food box filled with beef jerky, iced cookies, vanilla cappuccino or other goodies not available in the commissary.

The Indiana state prison system is on track to make more than \$2 million this year on sales from the service. In San Antonio, Texas, the Bexar County jail, which makes 45 cents on every dollar in sales, projects its revenue could hit \$500,000.

Advocates say the deliveries give guards a potent disciplinary tool: Be good or you won’t get your jalapeno poppers.

Revenue from the meals has saved prison programs, such as parenting classes, wardens say. And in some institutions, inmates get job-training credit for preparing the hot meals in the jail kitchen and packaging the junk-food boxes.

Plus, said Deputy Chief Debra Jordan, who runs detention programs in Bexar County, given the “very humble” quality of prison food, letting an offender’s mom buy him a club sandwich now and then “is an act of kindness.”

Critics, however, fear the deliveries will inspire envy, violence and extortion. “It’s like with kids—you don’t bring cookies to school unless you’ve got enough for everyone,” said Gordon Crews, a criminal-justice professor at Marshall University.

Wardens who have tried the program say that hasn’t been a problem. Many prisons have long let well-behaved inmates order goods such as CD players, sneakers and mini-TVs. “Jails are always run better when your inmates are happy,” said Capt. Richard Fisher, the jail administrator in Rock Island County, Ill.

Another concern: the most-popular special-order foods tend to be high in salt, fat or both. Overindulgence could lead to health problems and potentially raise taxpayer costs for inmate medical care. But wardens say they have been trying to make regular meals healthier so they don’t see the harm in letting inmates order treats.

The program is only available where Aramark also supplies the regular, taxpayer-funded cafeteria fare, a fact that concerns Brent Yonts, a Democratic state legislator



Inmate eating a cheeseburger Friday at Sebastian County Jail in Fort Smith, Ark.

in Kentucky.

Mr. Yonts said hundreds of inmates and guards have complained to him about Aramark’s food, citing spoiled milk and meals contaminated with mouse droppings. While he is not opposed in theory to selling inmates treats, he worries that those without money will go hungry.

“I’ve had mothers, grandmothers, aunts tell me ‘Johnnie’s been in there 24 days and he’s lost 50 pounds,’” Mr. Yonts said.

Aramark said its Kentucky operation has passed all health inspections with high marks. Its staff follows nutritional menus designed by state officials and does not cut corners to spur demand for snacks, the company said.

Still, the special-order corn dogs are “100 times better” than Aramark’s “chow-hall food,” said John Ash, an inmate at the Miami Correctional Facility in Bunker Hill, Ind., who buys extra meals with his \$130-a-month pay from his clerical prison job. Mr. Ash says the program also helps him feel connected to his nine-year-old daughter, who likes to send him the “chocolate lovers” snack pack. Mr. Ash sees just one downside: He’s eating so many snacks that he has gained 10 pounds in recent months.

Such stories make some wardens cringe—chief among them, Sheriff Joe Arpaio of Maricopa County, Ariz., whose get-tough tactics include disciplining inmates by serving them only “nutra-loaf,” a brick-hard concoction made from blending together dry milk, vegetables and bread dough. Pepperoni pizza is not his idea of prison food. “Instead of calling it a jail, let’s call it the Hilton,” he said.

“Prison is meant to be a punishment,” agreed Jo Ann Phillips, an advocate for crime victims in Kentucky.

At the Sebastian County Jail in Fort Smith, Ark., inmate Juan Carlos Kennedy says he knows the special food is a privilege. In four months, his sister has spent close to \$1,000 ordering him junk food. His favorite: The Meaty Big n Beefy box, loaded

with cheese and spicy sausage.

“Sometimes it feels like it’s not even jail,” Mr. Kennedy said. “Jail’s supposed to be water and bread.”

# Oil from sunken rig moves toward coast

Associated Press

NEW ORLEANS—U.S. Coast Guard crews raced to protect the Gulf of Mexico coastline Monday as a robot sub tried to shut off an underwater oil well that is gushing 1,000 barrels a day from the site of a wrecked drilling platform.

If crews cannot stop the leak quickly, they might need to drill another well to redirect the oil, a laborious process that could take weeks while oil washes up along a broad stretch of shore, from the white-sand beaches of Florida’s Panhandle to the swamps of Louisiana.

The oil is escaping from two leaks in a drilling pipe about 1,500 meters below the surface. The leaks threaten hundreds of kilometers of coastline, with waters that are home to dolphins, birds, and prime fishing and tourism areas.

The oil began gushing out of the sea floor after the rig Deepwater Horizon exploded April 20 and sank two days later about 60 kilometers off the Mississippi River delta. Eleven of the 126 workers aboard at the time are missing and presumed dead; the rest escaped. The cause of the explosion has not been determined.

As of Monday afternoon, an area 77 kilometers long and 62 kilometers wide was covered by oil that leaked from the site of the rig, which was owned by **Transocean**

Ltd. and operated by **BP PLC**.

Crews used robot submarines to activate valves in hopes of stopping the leaks, but they may not know until Tuesday if that strategy will work.

BP also mobilized two rigs to drill a relief well if needed. Such a well could help redirect the oil, though it could also take weeks to complete, especially at that depth.

Kenneth E. Arnold, an offshore production facility expert, said relief wells posed serious engineering challenges.

“Sometimes you have to drill through the steel, and that’s what happened in Australia,” he said, referring to a blowout last August on a rig called the West Atlas in the Timor Sea. “It took them three times before they were successful.”

Not until November could mud be pumped through a relief well to shut off the deep-water spigot. The spill has resulted in major environmental damage along the coast of East Timor and Indonesia.

BP plans to collect leaking oil on the ocean bottom by lowering a large dome to capture the oil and using pipes and hoses to pump it into a vessel on the surface, said Doug Suttles, chief operating officer of BP Exploration and Production.

“That system has been deployed in shallower water,” he said, “but it has never been deployed” at the depths involved in this case.

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## WORLD NEWS

# U.K. envoy survives Yemeni attack

Officials say suicide bomber is killed in explosion near ambassador's car that bears 'fingerprints of al Qaeda'

By CHIP CUMMINS

Yemeni authorities said a suicide bomber attempted to kill Britain's ambassador in an attack Monday in the capital San'a, but the diplomat and his staff survived unharmed.

Yemen's interior ministry said the assassination attempt bore "the fingerprints of al Qaeda," without elaborating. It said the bomber targeted the car of Ambassador Timothy Torlot at around 8 a.m. The statement said the explosion killed the attacker.

British officials in San'a and London confirmed a "small" explosion next to the ambassador's car, and said the U.K. had closed its embassy for the time being.

A spokeswoman for the British embassy in San'a said no British Embassy staff or U.K. nationals had been harmed in the attack. U.K. officials were working with their Yemeni counterparts to investigate the incident, she said.

Late Monday, Yemen's defense ministry said it had identified the bomber as a 22-year-old Yemeni student. It also said that three Yemenis were injured in the attack.

Yemen has been the focus of U.S. and U.K. antiterrorism efforts in recent months, particularly after the alleged Christmas Day attempted bombing of a Detroit-bound flight by a Nigerian man, who told U.S. investigators he received terrorist training in Yemen.

Washington and London have worked to bolster the Yemeni central government as it battles an increasingly sophisticated local affil-



Forensics officers investigate the scene in San'a, Yemen where a suicide bomber targeted the convoy of the British envoy.

ate of al Qaeda. Beginning late last year, Yemeni forces have launched a series of attacks against the group's hideouts. Those operations intensified after the Dec. 25 attempt, with Yemeni forces claiming they captured or killed several al Qaeda operatives. The impact of the offensive has been difficult to assess.

While San'a has remained relatively quiet during the offensive, there have been occasional high-

profile attacks against Western interests there in recent years. In September 2008, assailants detonated a car bomb outside the U.S. Embassy, part of what appeared to be a coordinated attack that killed 16. In March 2008, attackers fired mortars at the U.S. Embassy, killing a guard at a nearby school.

Yemen has been an al Qaeda stomping ground for years. The global terrorist group claimed respon-

sibility for the 2000 attack on the USS Cole in the Yemeni port of Aden. In the wake of that attack, Yemeni President Ali Abdullah Saleh allied himself with U.S. efforts to combat the group in the country and succeeded in weakening it.

In recent years, however, al Qaeda forces in Yemen appear to have rebuilt. The local affiliate combined forces with the global terrorist group's Saudi Arabia-based arm,



Ambassador Timothy Torlot, in March

adopting the name al Qaeda in the Arabian Peninsula.

Shortly after the Christmas Day airline bombing bid, the group issued a statement claiming responsibility for training the Nigerian suspect, Umar Farouk Abdulmutallab. Mr. Abdulmutallab has pleaded not guilty to terror-related charges in connection with the incident.

The Yemen-based affiliate also has called for a campaign of violence against Western forces across the Arabian Peninsula. The group specifically cited embassies and shipping as potential targets.

In a statement Monday, Britain's Foreign and Commonwealth Office warned British citizens in Yemen to "keep a low profile and remain vigilant." There was no claim of responsibility for the attack.

—Alistair MacDonald in London and Summer Said in Cairo contributed to this article.

## President Bashir is re-elected in Sudan

By SARAH CHILDRESS

Omar al-Bashir, who faces charges of war crimes, won Sudan's presidential race, in an election that paves the way for the southern region to secede from Africa's largest country.

Eleven days after polls closed, the Sudanese government said that according to final results, Mr. Bashir was re-elected president with 68% of the national vote. His main opponent, Yasir Arman, withdrew in protest before voting began but remained on the ballot in many areas. He received 21.7% of the vote. In balloting that took place over several days, Sudan's 16 million registered voters chose presidential, parliamentary and regional candidates.

Salva Kiir, president of the semi-autonomous region of southern Sudan, was elected to lead the south with 92% of the regional votes.

The election, Sudan's first multi-party vote in 24 years, wasn't without problems. International observers, in their initial reports, expressed concerns about missing election materials as well as tampering with voter rolls. The observers have yet to issue final reports. The two leaders now face the difficult task of setting aside animosity and crafting a lasting peace between their two regions.

As part of a peace agreement that ended a prolonged civil war between the north and south, the two sides established a transitional period, at the end of which elections



Bashir supporters celebrate his re-election in Khartoum on Monday.

would be held. The two sides agreed that after the elections, the south could vote on whether to secede.

Mr. Bashir, who seized power in 1989, is wanted by the International Criminal Court for war crimes in connection to massacres in the Darfur region. Beginning in 2003, government-backed militias killed an estimated 200,000 people in retaliation for attacks by Darfuri rebels fighting for more resources.

Mr. Kiir is devoted to the south's separation from Sudan.

"The right of self-determination is one of [the Southern Sudanese

people's] biggest political achievements," he said recently. "They will defend it at any cost."

Mr. Bashir wants the oil-rich South to remain part of Sudan. But with his re-election secure, he has adopted a more conciliatory tone.

Speaking to reporters Monday, Mr. Bashir called the election a "victory for all Sudanese people."

Mr. Bashir said the referendum for Southerners to decide on secession would be held on schedule, in January. The northern leadership has said that it would accept the results of that vote, but would work to

persuade the south to remain part of a united Sudan.

The south is almost certain to choose secession. Essential details in the separation remain undecided, such as the official border, and how oil revenue—the main source of wealth for the country—might be divided. Disputes over oil and land could still inflame tensions.

The international community had been largely circumspect about the presidential election, which was a required step in the peace agreement, and one that had to occur before the referendum. If the vote was rejected by the opposition parties, it could jeopardize the referendum and destabilize the country. Southern parties have said privately that they didn't expect Mr. Bashir, a military strongman, to conduct a fair election, but they went along with it to ensure the referendum would be held.

Earlier, the Carter Center, an American nonprofit group that works on conflict resolution, said in its interim report that the election process "will fall short of meeting international standards." The European Union said it noted flaws in the balloting in only a small fraction of cases.

A network of 75 Sudanese civil society groups, which observed the elections, said the poll didn't meet the requirements of the constitution or the peace agreement for a democratic transition.

—Godfrey Maganda in Juba, Sudan, contributed to this article.

## Iraqi board disqualifies 52 candidates

By CHIP CUMMINS

A special Iraqi court disqualified 52 candidates from the country's parliamentary polls, including a candidate who won a seat in the vote, Iraq's election commission said Monday.

The decision further clouds the outcome of the election, and could be another setback for former Prime Minister Ayad Allawi. The disqualified candidate was part of Mr. Allawi's cross-sectarian slate that narrowly won the Iraq-wide polls, according to official preliminary results.

At the least, the move is expected to delay already-stalled efforts to form a new government.

International observers had praised the March 7 vote as relatively peaceful and orderly. But the procedural and legal bickering that has set in since is threatening to undermine its legitimacy. It comes at a time when U.S. commanders are depending on political stability ahead of a large, planned drawdown of troops this summer.

A court-ordered recount in the province of the capital Baghdad had already thrown into question the final outcome of the vote.

Monday's decision by a special, elections-related court—disclosed by Iraq's election commission—adds new uncertainty.