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Unease over Greece tops agenda again

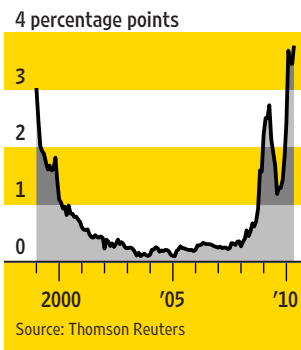
By CHARLES FORELLE AND KATIE MARTIN

Reminders that the outlook for Greece remains unsettled rattled the euro and sent Greek bonds tumbling to their worst levels since the crisis began.

The jitters were sparked by a news report—later denied—suggesting Greece would try to change the terms of its bailout deal. While the report was dismissed, it shone a light on the fact that much remains up in the air about the possible European Union bailout, including the critical question of what would trigger it.

In addition, Greece still has to borrow significant amounts of money in coming months, and there are signs that demand for new Greek debt is drying up. Two Greek officials said Tuesday that Asian investors had shown limited interest in a new bond of as much as \$10 billion that Greece is contemplating. Greece's finance minister, George Papaconstantinou, planned to visit investors in Asia to sell it, but that is now less likely, the officials said. The finance minister will still travel to the U.S. to try to find

The great divide
Spread between 10-year Greek and German bonds



buyers for the debt.

Against this backdrop, a key barometer showed a dramatic decline in investor confidence in Greece. During the day, the gap between the yield on Greek 10-year government bonds and comparable German bunds exceeded 4 percentage points as investors demanded more compensation for owning Greek debt, before narrowing to close at 3.765 percentage points, the highest closing level since Jan. 28. The intraday level was the widest since the crisis began. In January, that yield

spread had reached 3.94 percentage points but narrowed as EU officials hashed out a backstop plan to help Greece avoid a default.

The selloff on Tuesday took the yield on 10-year Greek debt to 7.1%. The renewed focus on Greece's woes spilled over to the currency markets as the euro sank toward \$1.3360 from \$1.3480 in New York on Monday, before recovering during New York trading.

Earlier in the day, Market News International reported that Greece wanted to avoid taking aid from the International Monetary Fund because it was concerned that the IMF would force it to adopt harsh austerity measures in exchange for the assistance.

Mr. Papaconstantinou denied the report. "There was never any action from our country to change the terms" of the deal, he said in a statement.

EU leaders, at Germany's insistence, agreed last month that if Greece needed a bailout, it would take part of the money from the IMF and part from fellow euro-zone countries. Germany is deeply reluctant to bail out its profi-

Please turn to page 4

U.K. general election campaign is under way



European Presphoto Agency

Prime Minister Gordon Brown, with his wife, Sarah, announced Britain will go to the polls May 6, setting up a battle over the U.K.'s battered economy and soaring deficit. The election promises to be the most dramatic British ballot since Labour swept to power in 1997. Articles on pages 2, 5 and 32.

The Quirk



Extreme angst: Makeover show downsizes to help McMansion families. Page 29

Editorial & Opinion

More power to the European Commission, says Guy Verhofstadt. Page 13

Khodorkovsky takes stand in second trial

Associated Press

MOSCOW—Imprisoned former oil tycoon Mikhail Khodorkovsky accused the Russian justice system of "legal schizophrenia" Tuesday and said charges against him are part of a corrupt government plot to seize his assets.

Taking the stand for the first time since his second trial began a year ago, he launched into a theatrical argument against the merits of the case, flustering the prosecution and annoying the judge with props that included a jar of crude oil, which he encour-

aged prosecutors to smell.

Mr. Khodorkovsky, once Russia's richest man, is charged with embezzling oil valued more than \$25 billion and laundering most of the proceeds, charges his lawyers say are ridiculous.

The legal assault on Mr. Khodorkovsky and his business partners, dating back to 2003, is widely seen as punishment for challenging Vladimir Putin, the former Russian president who remains as powerful as ever in his current role as prime minister.

A prison sentence of eight years in 2005 for tax evasion

was followed up in 2009 with new embezzlement charges, which could keep Mr. Khodorkovsky behind bars for 22 more years if he is again convicted.

"This trial is political and corruptly motivated. It is driven by a desire to keep me from going free. It has also been motivated by a desire to appropriate the assets of the largest and most successful Russian oil company, Yukos," he told a packed courtroom.

The charges in the case rest on allegations that Mr. Khodorkovsky and his partner Platon Lebedev embezzled all

of the crude oil produced by their Yukos oil company from 1998 to 2003.

Mr. Khodorkovsky said this would have been physically impossible, and entered a motion demanding the prosecution demonstrate how exactly this could have happened.

"To give you a crude analogy, your honor, the smoking gun in this case would have been incapable of firing," he told the presiding judge, Viktor Danilkin, who dismissed the motion, saying clarification of the charges isn't appropriate to the advanced phase of the proceedings.



Mikhail Khodorkovsky at court in Moscow on Tuesday.

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Is the U.K. ready for a leap of faith?

[Agenda]

By IAIN MARTIN



It has been almost two decades since the British last voted at a general election in which the identity of the winner was in any serious doubt. In 1997, 2001 and 2005, it was clear even before campaigning began that Labour would win an overall majority in the House of Commons and Tony Blair would be prime minister.

In contrast, the election called Tuesday by his successor, Gordon Brown, is a real contest. The Conservatives are in front, but not by much according to some polls; a hung parliament is a strong possibility; the campaign could shift on any of the leaders committing a serious blunder; and while Britons tell pollsters they want change, they seem uncertain about what form it should take.

The last keenly fought contest of this type was in April 1992, when the parties were closely matched and Conservatives under John Major were widely expected to lose. On election day, the unfashionable Mr. Major pulled off a surprise win—a victory against the odds that Mr. Brown hopes he and Labour can emulate when voters go to the polls on May 6.

So this is obviously going to be an election that will generate a great deal of excitement and a much higher level of voter involvement. Isn't it? In contests that are foregone conclusions, voter turnout is often depressed and the campaign is stilted. But while this race is close, it isn't guaranteed to capture the public imagination. The voters are in a particularly odd mood.

This election takes place against the backdrop of an MPs expenses scandal last year that taxed the patience even of the inherently world-weary average British citizen. There was widespread cynicism about politics before so many members



Ladbrokes betting board depicting David Cameron, left, and Gordon Brown

of the last parliament were found to be abusing expenses; afterward there was fury. The anger has subsided a little, but not much.

That presents a serious problem for any leader attempting to sell a message of change and hope. Many voters have given up hope real change is even possible. David Cameron and Conservatives can't rely on surfing a wave of voter enthusiasm, because it doesn't exist.

Many British voters have given up hope real change is even possible

And then, on top of MPs expenses, there is the condition of the U.K. economy. Above all other issues, the economy will dominate this campaign, and it should in theory aid Mr. Cameron. But the Tories haven't made it straightforward for themselves.

Mr. Brown's reputation in the 2001 and 2005 vote was of the Iron Chancellor who said he had ended the era of British booms being followed by a bust. There would be permanent prosperity with a benign combination of low interest rates and low inflation guaranteeing it.

This was hubris. We know what happened next. Britain—its

government and consumers—found itself overborrowed when the global crash came, and the national debt is set to almost double again on current projections to £1.4 trillion by 2014. The money has run out.

This would have finished off lesser politicians. But Mr. Brown hasn't gotten where he is by giving up. He fashioned a clever narrative of his experience making him indispensable and the Tories not having a clue.

The Conservatives, who originally planned to fight on their new and more caring social policies, hadn't envisaged this election ever being a fight centered on economic management. They even accepted Mr. Brown's levels of taxation and spending for a long period, until Britain entered recession and they began a rethink. They then said they would be tougher on dealing with the deficit and national debt, but couldn't quite answer the central question: How?

It wasn't until last week, when the Tories proposed reversing some of Labour's planned tax rises and said clearly for the first time in years that higher taxes would slow recovery, that Mr. Cameron and his team started to find a distinctive economic message just in time for the campaign.

This original missing of the economic boat was a serious intellectual failure. But it is testament to Mr. Cameron's

considerable political skills that he has shifted and stayed in front. The young Tory has been leader of the opposition for almost 4½ years, a period longer than some presidents spend in the White House. He has learned, through the recession and the MPs expenses scandal, about the merits of flexibility and adaptability.

But is there more to him than that? Yes, there is a good deal more. His appears to be a serious conservatism, and he is concerned about the size of the state and the erosion of civil society. But if he is to win, in the next four weeks he will have to find a clear voice to persuade a doubtful nation that within him lie the answers.

For Britain is a country in trouble—with big debt and little confidence. The economic miracle of the 1980s has evaporated and has been replaced with something approaching a national identity crisis.

Mr. Brown says the answer is not to disturb the balance between an enlarged public sector and recession-battered private sector. Maintaining spending and riding the coattails of a global return to growth will get the country through.

If Mr. Cameron fails to convince with an alternative, there is a chance enough voters will find Mr. Brown's analysis reassuring enough to deny the Tories a victory. That outcome is still very much a possibility if Mr. Cameron has a poor campaign.

Britain tends only rarely to have elections that produce a decisive change in the country's direction of travel. It happened in 1997 with the switch to New Labour and before that in 1979 with the rise of Margaret Thatcher. Before she won, there were the minority administrations and weak governments of the 1970s. Very much like now, the country couldn't quite decide which way to jump.

This election will hang on whether Mr. Cameron can persuade his country it is worth making the leap.

What's News

■ **A U.S. appeals court ruled** that a federal regulatory group exceeded its authority when it sanctioned Comcast for slowing Internet traffic for some users. The ruling is likely to spark efforts by the regulator and Congress to impose new rules on the firm and other Web providers. 17

■ **U.S. Treasury Secretary Timothy Geithner urged** nations to rely less on exports and more on domestic consumption to support a sustained global expansion. 10

■ **The British economy appears** to have embarked on a broad-based recovery, two new surveys show. 4

■ **Kraft acted unwisely** during its acquisition of Cadbury when it promised to keep open a plant only to then renege, U.K. lawmakers said. 18

■ **Total disclosed** that it was put under formal investigation in France for suspected bribery tied to the U.N. oil-for-food program in Iraq. 20

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The Source

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“Brown's action has signaled the start of the end of sterling markets' strange, truce with politics.”

David Cottle on the U.K. election's impact on markets and the economy



Continuing coverage



See continuing coverage of the Mideast as more violence rocked Baghdad at wsj.com/mideast

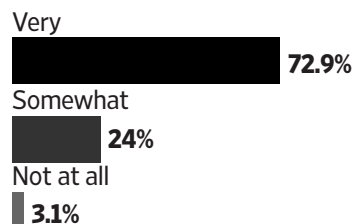
Question of the day

Vote and discuss: Who would you vote for in the U.K. general election?

Vote online at wsj.com/dailyquestion and see more at wsj.com/ukelection

Previous results

Q: How closely should a CEO's pay be tied to earnings and stock price?



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NEWS

A new frontier in airline baggage fees

[The Middle Seat]

BY SCOTT MCCARTNEY

Spirit Airlines, the Ryanair of the U.S., is pushing the airline fee frenzy to new levels with the introduction of fees for carry-on bags—as much as a whopping \$45 each way to put something in an overhead bin on a flight.

Spirit says it is dropping fares, particularly on the low end, as it imposes new fees. It may well be the first airline in the world to charge for carry-on bags—at present Ryanair, **easyJet**, Allegiant, AirAsia and other ultra-low-cost carriers don't. It's doubtful bigger airlines will follow, but then again, it was once hard to imagine how aggressively former "full service" airlines embraced tacking on fees for airline passengers.

One advantage of fees for carry-on bags is that they'll likely discourage passengers from boarding planes like pack mules. Spirit's chairman and chief executive, Ben Baldanza, says fees for checked baggage upset the balance between carry-on and checked items as passengers tried to avoid checked-bag fees. The carry-on fee, he said, "will make our boarding faster and easier."

Florida-based Spirit is also introducing "Penny Plus" fares—the plus means the ticket price will include a charge for fuel



Passengers prepare to check in at a ticket counter for Spirit Airlines at LaGuardia Airport in New York in February.

and government fees and taxes. One-way between Detroit-Las Vegas costs \$73—one penny for the fare plus \$54 for Spirit's fuel and \$19 in taxes and fees. And to get the penny fare you have to pay to be a member of Spirit's **\$9 Fare Club**, which costs \$39.95 a year. But Spirit says it's basically a \$40 reduction in its lowest fare, so about equivalent with a carry-

on baggage charge.

Spirit has been leading the airline fee charge on several fronts, from fees to actually buy a reservation to added charges to reserve a seat. It has unbundled prices to grab travelers' attention with very low fares then tries to collect the revenue it needs through fees and onboard sales. It even has tried to unbundle fuel,

offering a fuel "calculator" on its Web site. (And it has sometimes run afoul of the Department of Transportation.)

"We think we're being pretty fair to consumers by taking fares down exactly proportionate to fees," Mr. Baldanza said.

Spirit's fee structure can be tricky. With carry-on baggage, everyone on Spirit gets one

personal item free that fits under the seat in front.

If you are a member of the \$9 Fare Club, which offers some exclusive fare deals, a carry-on item for the overhead bin costs \$20. If you aren't a member, you can reserve your bin spot for \$30 as long as you buy it before you get to the gate (even the ticket-counter counts). And if you don't pay before boarding and show up at the gate with two items, you'll be charged \$45 for the carry-on.

When the new fees arrive on Aug. 1 passengers who have paid for carry-on bags will board first. "After Zone 1 is on, there are no more carry-on bags. If you have one, you'll have to pull out your credit card and pay at the gate," Mr. Baldanza said.

Travelers are generally split on carry-on baggage, depending on their own habits. Many argue that greater limits on carry-on baggage would speed up flights by shortening boarding and deplaning time. Others loathe checking bags, especially in the era of baggage fees, and see carry-on baggage as the only reliable travel option airlines offer.

Spirit's fees for checked baggage will follow a similar scale to the carry-on fees. For domestic flights, club members pay \$15 each for the first and second bag, each way. Paying in advance for nonclub members is \$25 per bag, and checking a bag at the airport without paying in advance is \$45.

'Housewives' star sues show's creator

A Wall Street Journal Roundup

LOS ANGELES—Nicollette Sheridan, who played a divorced real-estate agent on the television show "Desperate Housewives," filed suit against the show's creator and producer alleging assault and wrongful termination.

In the lawsuit filed Monday in Los Angeles Superior Court, the British-born actress claims producer Marc Cherry hit her in the face on the Wisteria Lane set in September 2008. Ms. Sheridan had asked Mr. Cherry about a line in the script, and he "took her aside and forcefully hit her with his hand across her face and head," the suit said. After she stormed off to her trailer, he came to "beg forgiveness."

When she reported the incident to the network, ABC, Mr. Cherry allegedly retaliated by killing off her character, Edie Britt, in the popular series, Ms. Sheridan claims.

The lawsuit seeks \$20 million in sustained damages. The suit, which also names ABC, accuses Mr. Cherry of creating a hostile work environment on the set and behaving aggressively and abusively toward the cast and the writers.

"Desperate Housewives" has been one of the most successful of a spate of U.S. television series to dominate European airwaves.

Although the number of U.S. shows hasn't increased over the past decade, they have been moved to more prominent places on viewing schedule and attract enormous numbers. "Desperate Housewives"



Actress Nicollette Sheridan filed suit

has had its own local versions in France with "Toujours Désespérées" and in Spain with "Mujeres Desesperadas."

ABC Studios said in a statement Tuesday, "While we have yet to see the actual complaint, we investigated similar claims made by Ms. Sheridan last year and found them to be without merit."

A call to Mr. Cherry's company, Cherry Alley Productions, wasn't immediately returned Monday night.

Ms. Sheridan argued that her character was one of the lead characters of the show, and was getting more airtime that season. Edie Britt isn't featured in the show's opening credits.

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EUROPE NEWS

British indicators improve

In boost for Brown, new surveys show businesses are more confident about outlook

BY NICHOLAS WINNING
AND ILONA BILLINGTON

LONDON—The British economy appears to have embarked on a broad-based recovery, with the construction industry expanding for the first time in over two years, the jobs market strengthening and businesses growing increasingly confident about the outlook, according to surveys from the British Chambers of Commerce and Markit Economics.

That is a welcome boost to Prime Minister Gordon Brown as he hits the campaign trail ahead of the May 6 general election to persuade voters that his government is successfully nursing the economy back from a severe recession and is best-placed to manage the recovery.

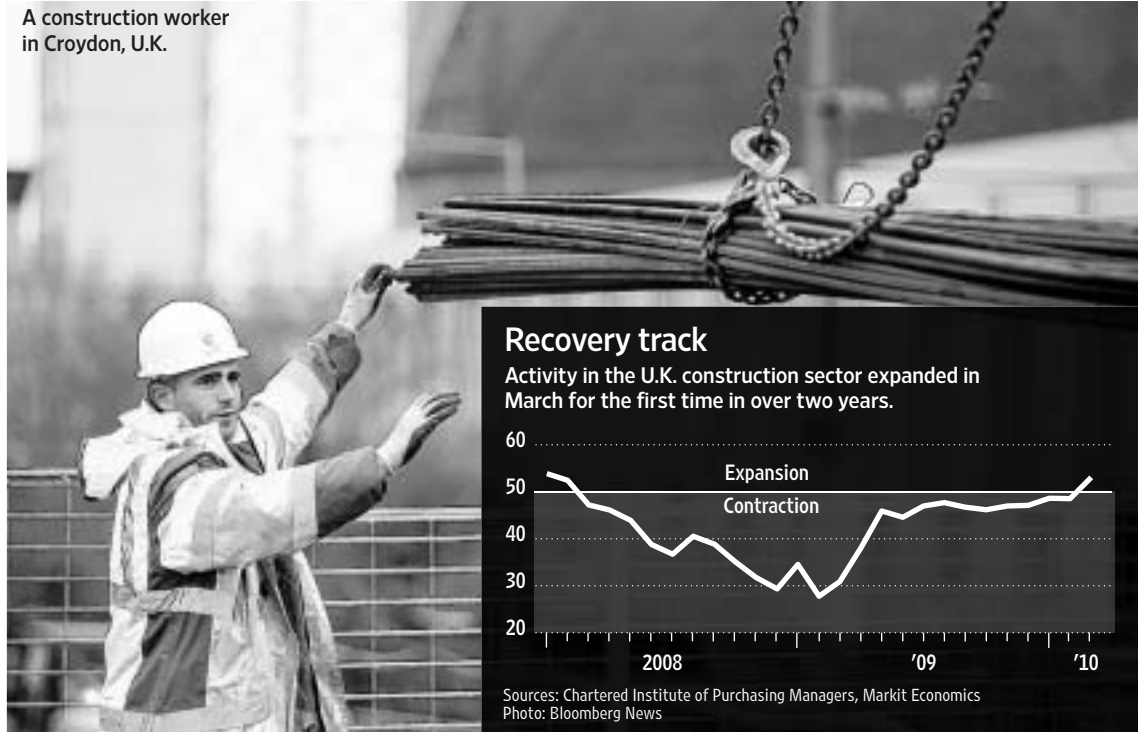
But the BCC said the recovery is still weak and there remain serious risks of a setback. In its latest quarterly economic survey, the business group said the next government must scrap Mr. Brown's plan to increase National Insurance social-security payments by workers and companies in 2011 and replace it with a rise in value-added tax.

"Whatever the outcome of the election, a new government must produce a more credible medium-term plan for cutting the country's huge budget deficit and reducing spending," said David Kern, chief economist at BCC.

The BCC's survey of more than 5,500 businesses between Feb. 22 and March 17 supported the view that the economy grew in the first quarter, but suggested the recovery was sluggish. Although the service sector is gradually gaining momentum, the manufacturing sector is struggling to recover, it said.

Official first-quarter gross domestic product figures are due April 23. U.K. GDP grew 0.4% in the final

A construction worker in Croydon, U.K.



Recovery track

Activity in the U.K. construction sector expanded in March for the first time in over two years.



Sources: Chartered Institute of Purchasing Managers, Markit Economics
Photo: Bloomberg News

three months of last year after shrinking in each of the previous six quarters.

The BCC report showed employment expectations were weak, but a separate monthly survey by Markit Economics suggested the U.K. labor market is on the mend, with a strong increase in hiring in March. Salaries given to successful job candidates also rose.

"The U.K. jobs market seems to be going from strength to strength, with permanent job placements growing at the fastest rate for 12 years," said Bernard Brown, partner and head of business services at consultancy KPMG, which sponsored the survey with the Recruitment and Employment Confederation, a

recruitment-industry trade group.

He cautioned that much of the recent hiring activity was in the state sector and that the prospect of lower government spending and higher taxes in the next 12 months could derail the labor-market recovery. Conditions are improving in the British construction sector—one of the hardest hit by the credit crunch and ensuing recession—with activity expanding for the first time in two years in March.

A survey by Markit and the Chartered Institute of Purchasing Managers showed the construction output indicator jumped to 53.1 in March from 48.5 in February. A reading above 50 indicates growth.

"Though it's great to see the U.K.

construction sector turn the corner after two years of relentless contraction, it's still very early days," said David Noble, chief executive of CIPS, which calculates the data.

In a sign that U.K. homeowners are still wary of spending, Bank of England figures showed that households pumped equity back into their homes for the seventh consecutive quarter in the final three months of last year.

Households injected a net £4 billion (\$6.1 billion) in equity back into their homes in the fourth quarter of last year, though that was a smaller repayment figure than the £5.1 billion in the third quarter.

—Joe Parkinson
contributed to this article.

Spain sees increase in jobless claims

A Wall Street Journal Roundup

MADRID—Spanish jobless claims rose again in March as Spain suffered from an unusually harsh winter as well as one of Europe's longest-running recessions.

Spain is grappling with the collapse of a labor-intensive construction industry that has pushed the economy into a deep recession.

The government of socialist Prime Minister José Luis Rodríguez Zapatero has forecast that the economy will return to growth in the first half of this year and start creating jobs by the end of the year.

In a statement, the labor ministry said jobless claims rose 59,088, or 1.5%, to just over 4 million in March from February, on a seasonally adjusted basis. March jobless claims were 15% higher compared with the corresponding period a year earlier.

"It's true that the pace of deterioration [in the job market] has slowed, but this is still a significant rise in unemployment," said Laura Velasco, economist at Banesto, who had forecast a 30,000 to 35,000 rise in March jobless claims.

Part of the wide divergence could be explained by weaker-than-expected activity in the construction and services sectors as the result of unusually cold weather, Ms. Velasco said.

According to data last week from Eurostat, Spain had an unemployment rate of 19% in February, nearly twice the 10% rate for the euro zone.

The government saw the slowdown in the rate of job losses as more encouraging.

"While there was an increase in the past month the data confirm that the rise in unemployment is slowing," said the head of the Labor Ministry's employment department, Maravillas Rojo.

She said that trend was expected to continue.

"Firms remain largely determined to do whatever they can to keep their labor forces as tight as possible in order to contain their costs in the context of still-squeezed margins and intense domestic and international competition," said Raj Badiani at IHS Global Insight.



People wait to enter a government job center in Madrid in March.

Unease over Greece tops agenda again

Continued from first page
gate peer.

The news report was still enough to rattle the markets, where many are skeptical about Greece's ability to fulfill its promises.

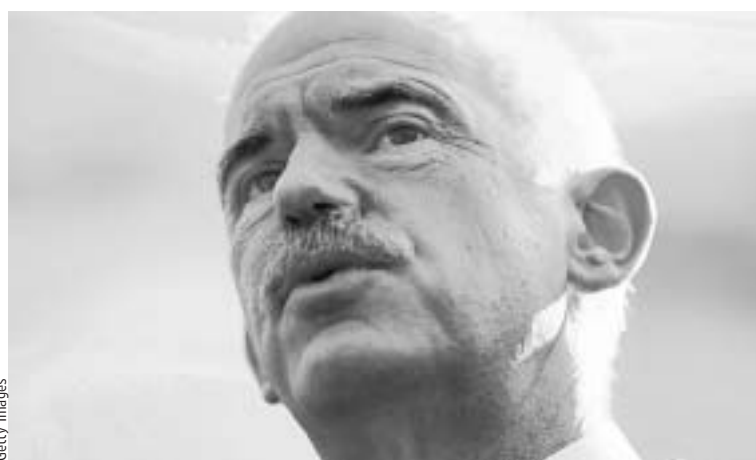
"The market really wants to see that the Greeks stick with the deal that they made," says Gabriel de Kock, global foreign-exchange strategist at J.P. Morgan Chase.

In the meantime, it has become clear that the agreement hasn't achieved one of its prime aims: reducing Greek borrowing costs by assuring jittery investors that the EU would step in to prevent a default.

"This will help calm down markets and also help reduce pressure on the Greek spreads," Prime Minister George Papandreou said after the deal was reached.

The state of the bond market is critical to Greece because it must borrow more than €50 billion (\$67 billion) this year. Like a consumer with maxed-out credit cards, it is scrambling to open a new card onto which to transfer the balances of the old, all the while spending more each month than it takes in.

The math is ugly: Even considering the major budget cuts and tax increases it has put in place, or has promised, Greece is still running a deficit that amounts to about €2 bil-



Greek Prime Minister George Papandreou

lion a month.

It needs to borrow to finance that deficit, as well as to repay past borrowings. Greece's total debt is around €300 billion, or 113% of its gross domestic product, well above the euro zone's self-imposed 60% ceiling. Interest alone on that debt pile will run €13 billion this year.

Next week, Greece must redeem more than €2 billion in short-term bills. The following week, an €8.2 billion five-year bond comes due. An €8.5 billion 10-year bond must be repaid a month later.

Greece appears to have enough

cash on hand to meet its April payments.

"For April, we are good," said Filio Lanara, a spokeswoman for Greece's finance ministry. May is less clear. A Greek official said the government needs to borrow €11.5 billion by the end of that month.

Asian investors, notably China's Social Security Fund and Chinese and Japanese funds, appear cool to the idea of buying Greek debt, investors and strategists say.

"The problem of Greece has definitely not gone away," said Michael Hewson, currency analyst at CMC

Markets in London. "Any investors who thought that the political fudge that was agreed [to] at the EU summit with respect to a Greek bailout will have been sorely disappointed."

The Greek government last month secured a financial standby package from the EU as Athens tried to shore up its finances. The EU had insisted that the IMF, which often sets stringent conditions for its aid, be part of that deal, in an agreement that helped to stop the euro's rapid decline.

"While the IMF has already made it clear that it will only be a secondary provider of capital, the conditions attached to payments from the Eurogroup still seem to offer considerable scope for conflict," said currency analysts at Commerzbank in Frankfurt.

The IMF is sending a team to Greece on Wednesday to provide advice on improving budget operations, an IMF spokesman said Tuesday.

"IMF staff will start a two-week visit to Athens [Wednesday] to provide technical assistance in the fiscal area—specifically to improve revenue administration and public finances management," the spokesman said in a statement.

—Costas Paris and Marcus Walker
contributed to this article.

EUROPE NEWS

Brown calls U.K. general election

By ALISTAIR MACDONALD

LONDON—British voters will head to the polls May 6 to settle a tight general election battle in which the country's two major parties offer sharply different visions for healing the U.K.'s battered economy and taming its giant deficit.

But the longtime favorites—the opposition Conservative Party and its 43-year-old leader, David Cameron—must do more than simply defeat Prime Minister Gordon Brown's ruling Labour Party. The Tories must win by a big enough margin to avoid a hung Parliament, in which no party controls a majority of seats, and push through the tough deficit-cutting program they say Britain needs.

Mr. Brown announced the polling date on Tuesday after a visit to Buckingham Palace, where by tradition he asked Queen Elizabeth II to dissolve Parliament and call the election. It sets up the most dramatic U.K. ballot since his Labour Party swept to power in 1997, beginning a 13-year run that ushered in an era of prosperity and national self-confidence that lately has collapsed in the wake of the global financial crisis.

Mr. Brown, who took over from former Prime Minister Tony Blair in 2007, has spent most of his time in office fending off low approval ratings and the broad assumption that Labour would be trounced in the next election by the Conservatives and the fresh-faced Mr. Cameron.

In recent months, however, the contest unexpectedly tightened. The Tories' once-commanding lead in opinion polls was whittled down to single digits, though in more recent polls it has edged back up after the party promised to partly reverse a payroll tax.

The election is likely to hinge on who Britons trust most to help the economy recover from a recession that, peak to trough, knocked 6.2% off Britain's gross domestic product, one of the worst performances in the developed world.

One of the few clear campaign dividing lines is how quickly the debt should be cut. Labour has indicated it will go slower in cutting public spending, to avoid disrupting the country's still-fragile recovery. The Tories pledge an "age of austerity" they say will bring down debt quicker and bolster investor confidence in Britain.

Markets are watching carefully, fearing a hung Parliament—and the formation of the U.K.'s first minority government in more than three decades—would make it difficult for any party to confront a budget deficit projected at 11.8% of GDP this year, one of the widest of the major economies. A hung Parliament also would make kingmakers of some parties relatively unknown outside of Britain, such as the centrist Liberal Democrats and Northern Ireland's Democratic Unionist Party.

Reflecting such concerns, the



British Conservative Party leader David Cameron and his wife, Samantha, greet supporters after the official launch of his election campaign Tuesday.

pound fell 0.41% to \$1.5225 in Tuesday trading, and is down about 6.2% this year amid concerns over the U.K.'s yawning fiscal deficits and uneven economic recovery.

Despite their lead, the front-running Tories face challenging electoral math in avoiding such gridlock. Most analysts say the Conservatives could need a 10 percentage-point lead to be confident of commanding a parliamentary majority. Their lead currently averages around eight points, according to the Web site U.K. Polling Report.

Mr. Cameron, who would be the youngest British prime minister in almost 200 years, will need to win 117 seats—more than the party has won since the 1930s—to get a majority, because Labour won so many more in the latest election.

To the victor will go a bag of unpleasant spoils, including the record deficit and weak economy, an unpopular war in Afghanistan and wider questions of how Britain can stay relevant on a global stage that, since its last change of government, has seen the swift rise of powers such as China and India.

The campaign shapes up as a choice between experience and the desire for change. Mr. Brown is a veteran of seven general election campaigns and 13 years in power. Mr. Cameron has been through just three campaigns and never held a position in government.

Both parties will try to exploit those fundamental facts. Labour argues that only it and Mr. Brown, the U.K.'s longtime Treasury chief before he became prime minister, have

the experience to guide Britain's still-fragile economy to full recovery from its worst post-war recession.

The Tories have highlighted the role they say Mr. Brown and Labour played in the recession. Mr. Cameron has campaigned under the slogan "Vote for Change," using language that echoes U.S. President Barack Obama's 2008 campaign.

At the same time, Mr. Cameron has led a four-year campaign to remodel the Tories as "compassionate" Conservatives—an attempt to distance the party from the hard-hearted image left over from previous Tory governments and to suggest that help for Britain's poor is as likely to come from the Conservative Party as from Labour.

Against that backdrop, the candidates began the four-week sprint to election day by criss-crossing the U.K. After calling the election on the doorstep of No. 10 Downing Street, Mr. Brown told supporters, "Now all of us, let's go to it."

Mr. Cameron said this was the most important election in a generation. "There is a modern Conservative alternative and it's about voting for hope, voting for optimism, voting for change," he said, against the backdrop of the gothic spires of Britain's Houses of Parliament.

Like U.S. elections, British ballots typically hinge on constituencies that could vote either way, and where political parties have been placing most of their firepower for some time. Recent polls suggest the Tories have the edge here. On Tuesday, Mr. Brown headed south to a constituency in Kent that is seen as

Hanging in the balance

Various scenarios that could emerge from the U.K.'s close election



Labour wins overall majority

Labour would return to power for a fourth term, which it never has done. Opposition leader David Cameron would find it difficult to continue as Tory leader.



Conservatives win overall majority

Opposition leader David Cameron would be asked to form a government by Queen Elizabeth, appoint ministers and begin to implement his reforms. Labour will likely search for a new leader.



Hung Parliament with Labour as the largest party

Mr. Brown would remain as prime minister. He could govern in coalition with the Liberal Democrats or as the head of a minority party. Conservatives would regroup and hope for a second election.

Hung Parliament with Conservatives as the largest party

Mr. Cameron will have made himself prime minister but would have to govern as head of a minority administration or seek a coalition with Liberal Democrats.

Source: WSJ research

up for grabs.

Despite the parties' differences on cutting the deficit, voters will be faced with two main parties that offer similar game plans on some key issues. Their plans include broadening the U.K.'s service-focused economy to help manufacturing and exports, encouraging greater savings, and promising to protect Britain's beloved National Health Service.

"Economic circumstances are so difficult it provides very little room for maneuver for any government," said Dr. Stephen Fisher, a lecturer in politics at Oxford University.

Since the start of the last century there have only been three coa-

lition governments in Britain, two of them wartime administrations. The Conservative and Labour duopoly has been passing Downing Street between them.

That fact and a widespread dissatisfaction with mainstream parties—in particular, their abuse of the parliamentary expense system, could benefit parties such as the Green Party and the British National Party, which advocates repatriation of nonindigenous Britons. Their importance will be measured by the degree to which they take votes from the mainstream.

—Tommy Stubbington
has contributed to this article.

U.K. central bank quietly welcomes start of election campaign

By NATASHA BRERETON

LONDON—The launch of the British election campaign marks an important step toward providing Bank of England policy makers with some needed clarity on how the public sector's huge budget deficit

will be cut.

All major parties have committed themselves to aggressive fiscal tightening—a prerequisite for the U.K. to preserve its cherished AAA credit rating. But how they plan to achieve that goal has yet to be detailed.

With economic prospects murky, that poses an added hurdle for the BOE's Monetary Policy Committee. Until policy makers know how large cuts in spending and increases in taxes will be, what form they will take and how soon they will begin, they can't make decisions about the

appropriate policy stance, which depends on the medium-term outlook.

"The uncertainty surrounding bank credit and the prospect of sharp fiscal tightening after the elections, whichever party wins, has prompted the MPC to adopt a data-watch mode," said Lena Komileva,

group G-7 economist at Tullett Prebon.

The monetary-policy committee is expected to leave its key interest rate at an all-time low of 0.5% and the stock of bond purchases at £200 billion (\$305.44 billion) at its regular meeting this week.

EUROPE NEWS



Dutch Marines land on the German freighter MV Taipan before retaking it Monday, a mission approved by the Dutch government rather than the European Union.

Dutch marines cut red tape

A bureaucratic maneuver allowed marines to capture German vessel from Somali pirates

Associated Press

Military officials said Tuesday a Dutch frigate sidestepped the European Union's antipiracy task force to free a German cargo ship from Somali pirates.

The Dutch ship's commander said he sought authorization from his own government to attack the MV Taipan on Monday after hearing that the 15-strong crew had locked itself out of harm's way in a bulletproof room. A spokesman for the EU mission acknowledged Tuesday that doing so sped up the operation, which ended with the Taipan and its crew safely liberated and 10 Somali pirates arrested and detained on board the Dutch frigate Tromp.

Gaining fast on the pirates who had seized a German freighter, Dutch naval captain Col. Hans Lodder said that after ascertaining that the Taipan's crew was safe, he launched his ship's Lynx helicopter with a team of six special-forces marines. With troops providing covering fire from the helicopter, the marines landed onto the ship's deck of the MV Taipan, meeting no resis-

tance from the pirates.

"The pirates surrendered the moment they saw the marines," Col. Lodder said in a telephone interview Tuesday from the Tromp. No one was injured.

Monday's successful rescue showed that, when swift decisions are needed, it can be quicker to work around the EU's command.

It was the first time a Dutch ship involved in the EU mission had used force to recapture a hijacked ship. An EU spokesman couldn't immediately recall any incident when troops under EU command had boarded a seized ship under the threat of fire.

Col. Lodder said he decided to seek permission from his own command for an "opposed boarding"—one in which pirates may resist—rather than act under procedures laid down by Brussels. "We just told my force commander we would operate under national command until after the boarding," he added. "We kept everyone in the EU informed of everything we did."

Cmdr. John Harbour, U.K.-based spokesman for the European Union

Naval Force Somalia said the Dutch action avoided a delay and was legitimate. "For speed of reaction, if you're on the spot ... [and] dispatched at haste to react to something immediately, the best thing to do is to go under national command," he said.

"If we were about to conduct an operation with a bit more time on our hands, then we may well have gone through the standard EU process with a view to consulting," Cmdr. Harbour added. "That consultation just takes a bit longer."

Cmdr. Harbour also said the Taipan was sailing outside the zone covered by the EU mission when it was rescued, about 800 kilometers east of Somalia.

Bibi van Ginkel, a senior research fellow at the Clingendael think tank's Security and Conflict Program in the Netherlands, said opting out of a multinational mission was possible at sea because ships are sailing under their national flags anyway. It would be more difficult in land-based peacekeeping missions because the nations involved operate under the jurisdiction of the country

they are deployed to, she said.

The Tromp may turn over the 10 people captured Monday to German or Dutch prosecutors for what would be a rare European piracy trial.

Pottengal Mukundan, director of the Commercial Crimes Services of the International Maritime Bureau in London, which monitors pirate attacks, praised the Dutch rescue operation.

"It is unusual and very welcome" that a navy recaptures a ship from pirates, he said. "That is absolutely the right thing to do. By denying the pirates their prize, it does deter them from taking these actions."

Cmdr. Harbour, of the EU naval force, said the Dutch rescue mission highlighted not the EU's laborious decision-making processes but rather its ability to navigate a way quickly through them.

The Dutch mission came a day after suspected Somali pirates hijacked a South Korean-operated supertanker carrying about \$170 million of crude oil in the Indian Ocean. A South Korean navy destroyer caught up with the tanker on Tuesday and was sailing nearby.

Bosnia courts more investors from abroad

Associated Press

SARAJEVO, Bosnia-Herzegovina—Hoping to revive an economy that never recovered from the war, Bosnian business leaders on Tuesday began presenting some 157 projects worth over €5.5 billion (\$7.41 billion) to foreign investors at a major two-day conference.

The Sarajevo Business Forum offers more than 600 businessmen from mainly Muslim countries and global organizations investment opportunities in the energy, food production, tourism and infrastructure sectors.

Political leaders like Turkish Prime Minister Recep Tayyip Erdogan, Spanish Foreign Minister Miguel Angel Moratinos and leaders from the region will hold a series of meetings at the sidelines of the conference. Spain currently presides over the European Union.

The forum "is most probably the single most significant business gathering in Bosnia and the region in recent history," said Haris Silajdzic, a member of the country's collective presidency and one of the initiators of the conference.

A peace agreement ended Bosnia's 1992 to 1995 war but divided the country along ethnic lines and left it with a confusing constitution and an entirely devastated infrastructure and economy. The country needs political stability and foreign investment to get back on its feet.

Even though international donors have sent billions to fix infrastructure, clear mines and repair people's homes, a sustainable return of the 1.8 million refugees was just partially achieved.

Apart from destroyed factories, the quarrel between the former warring factions—Christian Orthodox Serbs, Muslim Bosniaks and Christian Catholic Croats—is keeping Bosnia's economy behind. The country is divided in two mini-states—one for the Serbs, the other shared by Bosniaks and Croats. The two are linked by a common government.

The country hopes to join the EU one day but to do so, it has to change its constitution and reduce its administration. There are more than 700 state and regional ministers in a country of 3.5 million.

"We do have some political problems but we trust that business activity can bring people together," Mr. Silajdzic said at the opening of the conference.

Turkish Prime Minister Erdogan said Bosnia is rich in natural resources but emphasized the importance of stability and security. "Money is like mercury. It goes wherever it feels good and we want it to feel good in Bosnia," he said. But foreign money so far seems to be respecting the internal division line.

Almost all 157 offered investment projects on Tuesday are located in the Bosniak-Croat region and the majority of the investors come from Saudi Arabia, the United Arab Emirates, Iran, Qatar, Kuwait, Libya, Egypt, Malaysia, Jordan, Oman, Croatia, Turkey, Slovakia, and even China.

The Jeddah-based Islamic Development Bank took part in organizing the event and the Organization of Islamic Conference is a key participant. The main foreign business partners of the Serb part of Bosnia remain Serbia and Russia.

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Balyoz case escalates

Associated Press

ANKARA, Turkey—A power struggle between Turkey's Islamic-rooted government and its secular military escalated Tuesday when prosecutors asked for formal charges against a senior general accused of plotting to overthrow the civilian leadership.

The former head of the country's National Security Council, Gen. Sukru Sariisik, joined dozens of

serving and retired senior officers accused of conspiring to destabilize the government in a conspiracy dubbed Balyoz, or "the sledgehammer." Prosecutors haven't made public any evidence or even details of the accusations since they were first made in January. But the national newspaper Taraf has published what it calls leaked copies of documents by the conspirators detailing their plans. Those include blowing up at least two major

mosques during Friday prayers; assassinating some Christian and Jewish leaders; and shooting down a Turkish warplane and blaming it on Greece, the country's historic rival.

The state-run Anatolia news agency said prosecutors went to the court Tuesday seeking charges against four officers, including Gen. Sariisik, who emerged from a police minibus with tinted windows and walked into Istanbul's main courthouse without speaking to the press.

U.S. NEWS

Nuclear controls sought

Washington summit aims to keep materials out of terrorist hands

BY DAVID CRAWFORD
AND PETER SPIEGEL

World leaders gathering at next week's nuclear summit in Washington are expected to call for stricter controls on the underground market for nuclear material that the U.S. and its allies fear terrorist groups and states such as Iran could use to build atomic weapons.

The international community must "effectively prevent and respond to incidents of illicit nuclear trafficking," says a draft communiqué circulating among diplomats. The draft, reviewed by The Wall Street Journal, calls for tougher criminal prosecution of traffickers, better accounting for weapons-grade nuclear materials to prevent them from falling into terrorist hands and more international collaboration in such cases.

In addition, on Tuesday, the Obama administration declared that it is narrowing the number of threats it seeks to deter with nuclear weapons, arguing that advances in U.S. missile defenses and conventional forces mean atomic arms are no longer needed to counterbalance most nonnuclear states.

In a much anticipated, 72-page Nuclear Posture Review—the first since the Bush administration issued its own restructuring of nuclear doctrine in the months following the Sept. 11, 2001, terrorist attacks—the administration said that even in cases of chemical and biological weapons, the U.S. will no longer threaten to counter threats from nonnuclear countries that are living up to their obligations under international proliferation treaties.

The review stops short of declaring that deterring a nuclear attack is the "sole purpose" of U.S. nuclear weapons.

The document says that because there are states that aren't living up to nonproliferation promises, there remains "a narrow range of contingencies" in which U.S. nuclear arms still play a role in deterring a conventional or chemical attack against the U.S. and its allies.

The caveat appears to be a thinly veiled reference to both Iran and North Korea, countries that are party to the Nuclear Nonproliferation Treaty but have either been cited for violating their commitments under the pact or, in the case of North Korea, have threatened to withdraw from the agreement.

Next week's summit would hardly be the first international initiative aimed at curbing the illegal nuclear trade. Officials involved in the talks say the U.S.'s primary goal for the summit is to refocus global attention on proliferation amid concern that previous efforts to curtail the spread of atomic technology and material have fallen short.

Of most immediate concern is the threat that terrorist organizations such as al Qaeda could acquire nuclear materials for a bomb. Several terrorist groups, including al Qaeda, have attempted to acquire weapons of mass destruction or to build conventional bombs that would blast out nuclear waste as shrapnel, according to Western intelligence officials.

Officials from the U.S. and other Western countries also cite developments in Iran, which they say has managed to secretly advance its nuclear-weapons program, as evidence

for the need for stricter enforcement. Iran says its nuclear program is only for peaceful purposes.

Though next week's meeting is expected to officially focus on nuclear security in general, diplomats say the issue of containing Iran's suspected weapons program will likely dominate much of the discussion.

An Iranian firm closely linked to Tehran's nuclear program has allegedly acquired special hardware for enriching uranium, a key step toward making an atomic bomb, The Wall Street Journal reported Saturday, despite sanctions intended to keep such equipment out of Iran.

On Tuesday, the U.S. Department of Defense released a report detailing U.S.-backed measures to prevent nuclear proliferation and nuclear terrorism. The report calls for "enhancing national and international capabilities to disrupt illicit proliferation networks and interdict smuggled nuclear materials."

Leaders from more than 40 nations, including China and India, are expected to take part in next week's summit. U.S. President Barack Obama first announced plans for a nuclear security summit last year.

In addition to the calls for tougher controls on the nuclear black market, leaders are expected to agree on a proposal urging countries to convert nuclear reactors powered by highly enriched fuel, which can be more easily repurposed for use in nuclear weapons than low-enriched uranium, into reactors using low-enriched fuel.

The proposed communiqué also reaffirms the "essential" role of the International Atomic Energy Agency

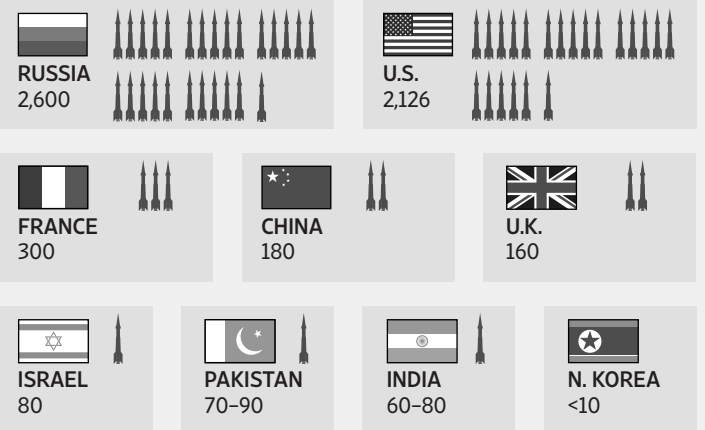


Barack Obama hosts an Easter prayer breakfast at the White House Tuesday.

International arsenals

Estimated number of strategic nuclear warheads

100



Source: Federation of American Scientists

in policing compliance with existing international nuclear treaties and calls on states to cooperate in developing databases of incidents of suspected illicit trafficking.

In addition to the communiqué,

leaders also are expected to endorse a "work plan" that outlines more detailed actions that countries can take to reduce nuclear trafficking. A follow-up conference is planned for 2012, according to the draft.

Mine explosion kills 25 in West Virginia

BY KRIS MAHER
AND SIOBHAN HUGHES

MONTCOAL, W.Va.—Safety officials said it could take 96 hours before they are able to drill holes and ventilate areas enough to try to reach four missing miners, but officials still held out hope that some of the four could have made it to chambers equipped with enough oxygen to sustain them until then.

Massey Energy Co. didn't say what might have caused Monday's explosion which left 25 people dead at its Upper Big Branch mine. The mine, about 30 miles south of Charleston, W. Va., has a history of violations.

Although the cause of the explosion is still under investigation, Kevin Stricklin, an administrator for the U.S. Mine Safety and Health Administration believes it is related to high methane levels.

Mr. Stricklin said methane is dangerous at any time of the year, but is even more so during winter because the mines get drier and there are greater chances for sparks that can ignite the gas. He also said the methane explosion could have triggered a secondary coal-dust explosion, which is more violent.

Methane is found naturally in coal seams. Mining companies use fans to direct the methane through curtained chambers and out of the mines. This mine had the fans and investigators are looking into what caused the buildup. The mine had



Michelle McKinney's father, Benny Willingham, was killed in the explosion.

been cited for violations regarding its ventilation.

Mr. Stricklin said the accident occurred at 3:02 p.m. as 31 workers were coming off a shift. One group of workers felt a rush of air and "knew something wasn't right," he said. Some of those workers went back and found six miners dead, and three injured, one of whom later died. The other two are being treated at area hospitals.

At the scene, bulldozers were clearing trees to make way for drill-

ing equipment. State troopers and police blocked off the entrance of the mine, leaving a local elementary school as the main place for updates about developments.

Safety officials said they need to drill four holes about 1,200 feet deep to clear the air and also monitor air quality. Nine rescue teams are involved in the effort.

"I think it will be a couple of days to get the bore holes down. We're going to try to get there in 96 hours," Mr. Stricklin said.

The accident mars what had been an improving trend in U.S. coal-mine disasters in recent years. Coal-mining fatalities have declined the past several years, to 18 in 2009 from a recent high of 47 in 2006, according to government statistics.

Secretary of Labor Hilda Solis said the explosion would be investigated. "Twenty-five hardworking men died needlessly in a mine yesterday," she said. "I pledge that their deaths will not be in vain."

U.S. Rep. Shelley Moore Capito, a Republican from West Virginia, said lawmakers would have to look at whether further legislation was needed to improve mine safety. In a Fox News interview, she said Monday's accident "sinks a lot of the optimism that the corrections that we made through federal and state law in 2006 were enough."

In 2006, explosions in West Virginia and Kentucky prompted Congress to overhaul mine-safety laws. Among other things, those changes required mine operators to keep more oxygen supplies underground and install communications equipment to track lost miners.

Some grieving friends and relatives were angry Tuesday because they found their loved ones were among the dead from government officials or a company Web site, not from Massey Energy executives.

One of the miners who was killed, Benny Willingham, 61 years old, had worked at the mine for 17 years out of a three-decade-long

mining career, said Linda Neal, a family friend. Mr. Willingham's wife, Edith, is "very, very bad and upset," Ms. Neal said.

Ms. Neal said Massey didn't notify the family of Mr. Willingham's death. "His sister had to go up there" to find out he had been killed, she said.

The MSHA has cited the Upper Big Branch Mine for hundreds of violations in recent years, including 10 so far this year related to legal requirements for ventilation systems to control methane and dust. The company has contested numerous fines, including two in January totaling more than \$130,000 related to mine ventilation.

The mine produces high-quality metallurgical coal, used in steel-making. Last year, it produced 1.2 million tons, including 500,000 in the fourth quarter.

Massey, whose shares are listed on the New York Stock Exchange, recorded net income of \$104.4 million, or \$1.22 a share, for 2009, up from \$47.8 million, or 58 cents a share, in 2008.

MSHA administrator Kevin Stricklin said officials had hoped some of the missing miners survived the initial blast and were able to reach airtight chambers stocked with food, water and enough oxygen for them to live for four days.

—Jennifer Levitz, James R. Hagerty, Mark Peters and the Associated Press contributed to this article.

U.S. NEWS

U.S. cities woo Chinese investment

Officials see a boon for local economies in growing number of entrepreneurs dipping a toe in American market

BY KATHY CHEN

COLLEGE PARK, Md.—Chinese companies are increasingly looking to invest in the U.S., and state and local governments are scrambling to win a share of the money. But Chinese companies' go-slow approach and a longstanding preference for investing in Asia may leave governments disappointed.

Georgia is home to about a half-dozen Chinese ventures, including a soy-sauce plant. Texas has a handful of Chinese telecommunications and industrial manufacturers. In Milwaukee, Wis., Beijing's Toward Group has bought a shopping mall.

The trend stems in part from Beijing's moves to ease restrictions on overseas investments, as it seeks to nurture homegrown multinationals. Many Chinese firms, flush with cash or squeezed by competition, are casting abroad for new markets, technology and product lines.

Chinese and U.S. officials and trade groups note growing interest among potential Chinese investors over the past 24 months.

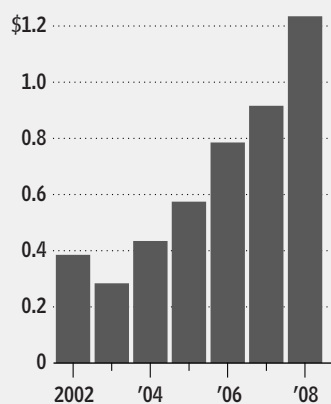
"I think within the next two or three years, we will see a big wave" of Chinese investment into the U.S., says Clarence Kwon of Deloitte Services LP's Chinese services group.

The trend could bring much-needed jobs and investments to U.S. states hit by the recession, and they are pulling out all the stops to at-

Expanding opportunity

China's direct investment in the U.S. has grown...

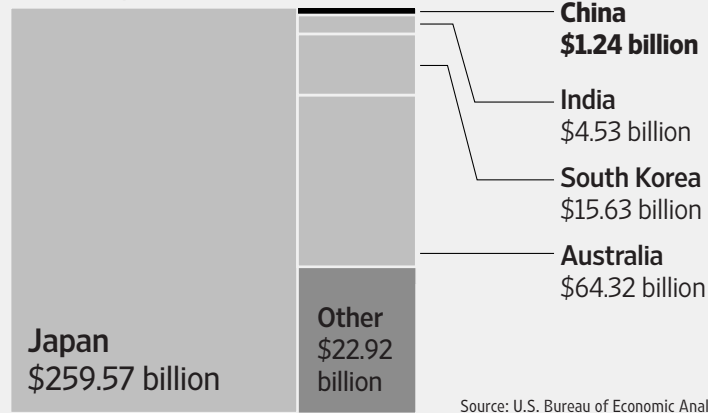
Amount, in billions



...but it's a small sliver of investment from the region

Direct investment in the U.S. from Asia/Pacific region, 2008

TOTAL: \$368.2 BILLION



Source: U.S. Bureau of Economic Analysis

tract Chinese investment. That includes opening offices in China, offering preferential tax policies and hosting Chinese delegations.

In 2005, China surpassed Mexico and Japan as the top site for states' overseas offices, with 30 offices there last year, compared with 26 for Japan and 20 for Mexico, according to the State International Development Organizations, a group representing state international trade agencies.

In Maryland, officials are betting on an international incubator at the University of Maryland here in College Park. Seven of 11 companies approved so far to open offices are from China, and director Kai Duh says more Chinese investors are in talks to come.

"The goal is the same for every company," he says. "They would like to successfully enter the U.S. market. We'd like them to hire Maryland citizens and pay taxes."

China's direct investment in the U.S. increased more than threefold to \$1.24 billion in 2008 from 2002, according to the U.S. Bureau of Economic Analysis. Still, China accounts for only a sliver of overall foreign direct investment in the U.S.—0.05% as of 2008.

Chinese Embassy spokesman Wang Baodong says Chinese investment in the U.S. is a "win-win" for both sides. But Chinese companies remain wary about investing here,

he says, after U.S. security concerns scuttled a bid by state-owned CNOOC Ltd. to buy Unocal Corp. in 2005. Many Chinese companies also prefer a go-slow approach.

Still, states are aggressively going after Chinese investors. John Ling, who heads South Carolina's office in Shanghai, says he used to focus on export promotion, but now "90% of my effort is on FDI. What we're after are projects from China that can create a substantial amount of jobs and investments."

"To work on Chinese prospects is still a very time-consuming and frustrating process," he says. But even small projects "can help us recruit other businesses."

Zhang Yajie, who has stakes in four manufacturing businesses in eastern China, plans to set up a company at the Maryland incubator.

Rising labor costs in China are squeezing his companies' profits, he says, and Maryland offers an opportunity to tap new capital and innovations, which could be developed for manufacturing back home. One product he likes: a non-stick gauze for treating wounds.

"We've never been overseas before, and our risk is very big," Mr. Zhang says. "But the bigger risk we face is over our survival. If we don't transform ourselves, sooner or later we will collapse."

—Kersten Zhang in Beijing contributed to this article.

THE HUNT IS ON FOR EUROPE'S MOST INNOVATIVE TECHNOLOGY COMPANIES AND PROJECTS



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China welcomes delay of U.S. report

By J.R. Wu

BEIJING—Chinese government-backed economists said Beijing welcomed a U.S. decision to delay its report on exchange-rate policies, in another sign bilateral ties are under repair ahead of next weeks' meeting between leaders of the two powers.

The comments, in a news briefing hosted by the foreign ministry, followed a reiteration by a ministry spokeswoman earlier Tuesday that the exchange rate isn't the cause of U.S.-China trade imbalances.

It wouldn't be reasonable to label China a currency manipulator, the spokeswoman, Jiang Yu, said in China's first official statement since the U.S. said Saturday it will postpone a semiannual report to Congress on the currency policies of major trading partners, which had been due on April 15.

A number of U.S. lawmakers have called on the administration of President Barack Obama to label China a currency manipulator in the Treasury report, saying Beijing deliberately undervalues its currency to give its exporters a competitive advantage. The issue has taken center stage in U.S.-China relations, which are strained by issues such as U.S. pursuit of Iran sanctions, arms sales to Taiwan and Mr. Obama's meeting with the Dalai Lama.

The two countries have recently sought to ease tensions with conciliatory comments and an announcement by China that President Hu Jintao would attend a summit on nuclear security hosted by Mr.

Obama in Washington on April 12-13. Mr. Obama also will meet with Mr. Hu on the sidelines of the summit, the White House said Tuesday.

While Ms. Jiang didn't directly comment when asked Tuesday if China welcomes the delay, prominent Chinese economists indicated the move was a good sign for bilateral ties.

"I personally see [the delay of the report] as positive," said Zhang Yasheng, director-general of the Institute for International Economic Research with the National Development and Reform Commission, China's economic planning agency.

Mr. Zhang told reporters at a news briefing moderated by Ms. Jiang that it is only when "each side takes half a step" back that they can see how to resolve the dilemma.

He said China hasn't changed its stance to reform the yuan exchange-rate mechanism, and has constantly been working toward a market-oriented exchange rate.

But he pointed out that over the years—through the high inflation in China of the mid-1990s, followed by the 1997-1998 Asian financial crisis and the global financial crisis of 2008—the exchange-rate reform mechanism has been interrupted.

China has kept the value of the yuan essentially unchanged against the dollar since mid-2008.

When asked about speculation that the U.S. postponement of its currency report was linked to getting China to support sanctions on Iran, Ms. Jiang said such talk was "groundless" and "meaningless."

WORLD NEWS



Getty Images

Iraqis gather at the site of a bombing Tuesday in Baghdad's Alawi neighborhood. Prime Minister Nouri al-Maliki, urged Iraqis to unite against 'terrorists' who 'want to push the country into civil strife.'

Baghdad bombing wave kills scores

Coordinated explosions add to fears of growing post-election chaos; U.S. says plans to pull out haven't changed

BY BEN LANDO

BAGHDAD—Seven bombs detonated in apartment buildings across Baghdad killed at least 49 people and ravaged residential neighborhoods Tuesday, adding to fears that insurgents are using a post-election vacuum to try to drive the country back to civil war.

The wave of explosions was the second coordinated large-scale bombing in three days. In the last week, more than 100 people have died in numerous attacks around Baghdad alone.

A resurgence of militant groups capable of planning and carrying out such large-scale assaults has cast doubt over Iraq's security situation and how the country will cope when U.S. troops begin their with-

drawal this summer. No group has claimed of responsibility for the bombings in the past week.

Baghdad security spokesman Maj.-Gen. Qassim al-Moussawi blamed the recent violence on remnants of the group al Qaeda in Iraq, an opinion shared by U.S. military officials here.

Prime Minister Nouri al-Maliki, who ran on a law-and-order platform during last month's elections that his political list narrowly lost, urged Iraqis to stand united against "terrorists" who "want to push the country into civil strife."

Mr. Maliki, in a written statement released Tuesday night, pledged to increase patrols around Baghdad. Apparently addressing the growing sense of unease in the capital in the wake of the devastating

attacks, he called on citizens and the media not to undermine the morale of the security services.

Iraq is in a state of political flux after parliamentary elections last month, in which Ayad Allawi led his secular Iraqiya political list to victory by a margin of just two seats in the 325-member parliament. The election results revealed deep sectarian and ethnic divisions in Iraq, which now faces months of political negotiations to form a government.

The White House said the recent violence hasn't forced the U.S. to change its plan to draw down troops in Iraq, which includes an end to combat operations by Aug. 31 and the withdrawal of all forces by the end of 2011.

U.S. officials here played down the bloodshed. They described the

string of attacks as last-ditch efforts of a struggling terrorist network, not a signal that the country was spiraling toward the same kind of internecine violence that paralyzed the country in 2006 and 2007.

The Iraqi Security Forces in recent months have worn down the leadership of al Qaeda in Iraq, said Lt. Col. Eric Bloom, spokesman for U.S. forces in Iraq. "Every time there are attacks, they learn more from these attacks," he said.

Such optimism wasn't shared by many Iraqis who gathered to help tend the wounded and pull bodies from the remains of multistory concrete apartment blocks. Targeted buildings were in Shiite neighborhoods as well as some of the capital's mixed districts.

At least 49 people died and 160

people were wounded in the explosions, the Associated Press reported. The toll was expected to rise, as victims remained buried under slabs of concrete as darkness fell. In the Alawi neighborhood, near the National Museum, an apartment building with a tea shop on the roof was reduced to rubble.

The coordinated explosions hit the capital two days after nearly simultaneous suicide car bomb attacks against embassy compounds killed 41 people and wounded more than 200. Over the weekend, 25 more people were murdered in what appeared to be a targeted killing of Sunnis working against al Qaeda.

U.S. military statistics show that the number of attacks and civilian casualties per month are continuing a downward trend.

China executes Japanese drug smuggler

China executed a 65-year-old Japanese citizen for drug smuggling, the second execution of a foreign national for such crimes in fewer than four months.

By Sky Canaves in Beijing and Miho Inada in Tokyo

The execution of Mitsunobu Akano, which the Chinese Supreme People's Court said happened Tuesday, was China's first execution of a Japanese national since the two countries normalized relations in 1972. Japan's government offered muted protest, with Prime Minister Yukio Hatoyama saying ahead of the execution that it was "regrettable from Japan's viewpoint," but that the countries' legal systems are different and "we cannot do much about it."

Mr. Akano's death follows the execution of British national Akmal Shaikh in late December for smuggling heroin, despite the strong protestations of the British government and others that Mr. Shaikh was mentally ill and that the courts had

mishandled his case. Beijing ignored repeated requests from Britain that Mr. Shaikh's mental state be tested, prompting British Prime Minister Gordon Brown to say he was "appalled and disappointed" by China's behavior. The execution was seen by many Western analysts as a sign of China's increasingly assertive posture toward foreign governments.

China executes more people than any other country, according to Amnesty International, which estimates that it puts thousands to death each year. China considers the actual number a state secret. The death penalty is applied to a range of non-violent crimes, including possession of 50 grams or less of methamphetamine or heroin.

In recent years, China has intensified a crackdown on illegal drugs. Last year, Chinese authorities arrested some 91,000 people for drug offenses, including nearly 1,600 foreigners, and forced 173,000 drug users into treatment for addiction, according to the National Narcotics Control Commission. The commission estimates that China had more than 1.3 million drug users last year,

up 19% from the previous year.

China has also shown increasing willingness to sentence foreigners to death for drug crimes, says Corrina Barbara Francis, a U.K.-based China researcher with Amnesty International. There appears to be "a greater sense of confidence and ability to resist the foreign pressure that they definitely have been under," Ms. Francis says.

Japan's restrained response to Mr. Akano's execution—and to death sentences China is expected to carry out soon against three other Japanese citizens convicted of drug crimes—comes as Mr. Hatoyama's ruling Democratic Party of Japan has tried to take a friendlier approach toward China than was often adopted by the long-ruling Liberal Democratic Party.

But analysts said Japan was mainly constrained by its own approach toward the death penalty. While Britain objects to capital punishment in all circumstances, Japan uses it in limited cases—albeit not for drug offenses—and its own procedures have been criticized by rights advocates.

Shinichi Ishizuka, a criminal-law professor at Ryukoku University in Kyoto, said Japan's use of hanging and its lack of advance notice to family members make its use of capital punishment less humane than China's in some ways. Japan "cannot help but be soft against China" on the death penalty issue, he said.

Japanese media were more critical of Mr. Akano's execution, with many reports stressing that Chinese penalties for drug offenses are more severe than Japan's. Justice Minister Keiko Chiba, who has advocated repealing the death penalty, also expressed concern that China's handling of the case "may invite a backlash from the Japanese people."

China defended its action. "Drug crimes are universally recognized by the international community as serious criminal acts," said Jiang Yu, spokeswoman for the Ministry of Foreign Affairs. She said that China had notified Japan of the planned death sentences of its citizens through consular channels, and said that China handles such cases "in strict accordance with the law."

Mr. Akano was detained in Sep-

tember 2006 at northeastern China's Dalian airport with around 1.5 kilograms of methamphetamine that he was trying to take out of the country, the state-run Xinhua news agency reported. He was convicted by a Chinese court in 2008, and his appeals were unsuccessful.

An unnamed male accomplice was found with Mr. Akano with a kilogram of the same drug in his luggage, Xinhua reported. The Japanese consulate in Dalian said the man had been sentenced to 15 years in prison.

Three other Japanese men convicted in 2007 in separate drug cases are facing execution as early as this week.

Past executions of foreign nationals on drug charges in China have largely involved citizens of African and Southeast Asian nations. Other foreigners currently on death row in China include a Nigerian man sentenced to death last year for heroin smuggling and at least nine Philippine nationals convicted on various narcotic trafficking charges.

—Gao Sen in Beijing contributed to this article.

WORLD NEWS

Maoist attack kills 76 Indian troops

Naxalite rebels ambush paramilitary forces in deadliest strike against government since start of insurgency

By KRISHNA POKHAREL

NEW DELHI—Maoist rebels killed at least 76 paramilitary troops in the dense forests of central India's Chhattisgarh state, the group's deadliest attack against the Indian government in the four-decades-old insurgency.

The government forces, in an operation to regain territory lost to the rebels, had been camping in the forest for three days before the attack early Tuesday morning, said Inspector-General R.K. Vij of the state police. Some 400 rebels, known as Naxalites, were waiting in ambush atop the small hills surrounding the camp and the route leading to it. The assailants used guns and grenades and blew up a patrol vehicle, said Amresh Mishra, superintendent of police in Dantewada, where the attack took place.

The troops included a battalion of the Central Reserve Police Force and local police. Six paramilitary troops were injured; further details will emerge only after talking to them, Mr. Mishra said. The rebels fled with 76 automatic rifles seized in the attack.

"It doesn't tell as much about their rise in strength as their ability to find an opportune time to attack by exploiting our routes and state of unpreparedness," Mr. Mishra said.

India's Maoist insurgency, which has been percolating since 1967, has intensified in recent months as the government has launched a major crackdown in the parts of central India where the rebels draw much of their support.

Tuesday's attack came on the heels of another during the weekend in Orissa, another Naxalite-affected state in eastern India, in which 11 paramilitary soldiers died after the vehicle carrying them passed over a mine placed by the rebels. In February, rebels attacked a camp of paramilitary soldiers in a rural region of



A survivor of the assault is carried by stretcher toward a hospital in Raipur.

the eastern state of West Bengal, killing 24 soldiers.

Some 204 people have died in the Maoist insurgency in the first three months of this year compared with 157 during the same period in 2009, according to South Asia Terrorism Portal, a New Delhi-based think tank. Last year, the death toll in the Maoist insurgency was 1,125—including rebel deaths—more than any of the nation's other insurgencies, including the militancy in Kashmir and in India's northeastern states, according to India's Ministry of Home Affairs.

Home Minister Palaniappan Chidambaram said Tuesday's attack showed "the savage nature" of the Maoists.

In Chhattisgarh's state capital of Raipur, the state's Chief Minister Raman Singh said the main reason

for the attack was the Maoists' "political ambition to capture power by force."

No Maoist leaders could be reached for comment Tuesday. The group usually doesn't claim responsibility for such attacks. P. Govindan Kutty, editor of a publication in the southern state of Kerala which is viewed as the rebels' mouthpiece, said the rebellion was gaining in strength despite the government's massive deployment of forces in recent months to contain it. "Ours is a people's movement, it won't be crushed," said Mr. Kutty. "It will become stronger if the suppression continues."

Both the government and the rebels have said in recent months that they would talk to each other but neither has agreed to meet the conditions demanded by the other.

The government says the rebels should give up arms to enter into talks. The Naxalites say the government should first stop its offensive against them.

Naxalism is one of the most persistent of several political forces that challenge India's standing as a liberal democracy and a nation-state. India has survived many such challenges—from princely states denying integration after India's independence in 1947 to a Sikh militancy in the 1970s and 1980s.

Naxalism began as a peasant uprising in 1967 in Naxalbari, a village in West Bengal, out of discontent with the political system at that time. The movement, which currently commands thousands of fighters, has continued to thrive by appealing to a general sense of injustice, alienation and poverty that

afflicts indigenous tribes and the rural poor.

The Naxalite movement is concentrated mainly in India's so-called tribal belt, spanning six states in the country's center, east and south.

While Indian civil-rights groups reject the Maoist violence, some contend that the grievances underlying it are genuine and require positive government intervention such as development funds and employment opportunities, rather than counterterrorism actions.

The government says it has been dealing with the Maoist insurgency with development activities in the tribal hinterland while also hunting the rebels and reclaiming territory captured by them.

Critics of the government say its search for natural resources in recent years in states such as Chhattisgarh—which is rich in iron ore, bauxite, diamonds and other minerals—has in some instances led to the displacement of tribals, the poorest of India's poor.

The Maoists oppose the economic model adopted by the Indian government, which they say favors Indian and multinational companies.

The government has shown caution in leasing out land for mining to private companies in recent months, and has signaled it would impose stricter regulation of mining companies to protect the rights of tribals.

Cherukuri Rajkumar, better known as Azad, spokesman for the Communist Party of India (Maoist), the main Naxalite faction, said in a statement last month that the government was being guided by its "masters in Washington and London" and was waging "war" against the people.

In response to a call from Mr. Chidambaram for discussions, the Maoist spokesman said: "You are now riding a tiger. You cannot get off."

U.S.'s Geithner sees growth through reform

By MUKESH JAGOTA
AND SUBHADIP SIRCAR

NEW DELHI—Countries around the globe should initiate sweeping reforms to drive growth through domestic consumption, which will help support a sustained expansion, U.S. Treasury Secretary Timothy Geithner said Tuesday, adding to calls for developing economies to reduce their reliance on export-led growth.

"A critical challenge that we face is, as the U.S. moves away from a system where the world is relying on U.S. consumption financed by borrowing, we move to an economy (in the U.S.) that is saving more and investing more—we want to see broader reforms and changes outside the U.S.," Mr. Geithner said at a news conference after meeting Finance Minister Pranab Mukherjee.

Mr. Geithner, who is on a two-day India visit for economic and financial partnership talks, is the second top U.S. policymaker to visit in the past year; Secretary of State Hillary Clinton came in July. The U.S. is India's No. 2 trading partner after the European Union, with bilateral merchandise trade totaling more than \$50 billion a year.

Mr. Mukherjee said he and Mr. Geithner discussed global and bilateral issues. Mr. Geithner's comments follow his decision over the weekend to delay the U.S. Treasury's semi-annual report to Congress, due April 15, on the currency policies of major trading partners. There was speculation that the report would brand China a currency manipulator.

A growing number of U.S. lawmakers have called on the Obama administration to label China a currency manipulator, saying Beijing undervalues the yuan to give its exports a competitive advantage in global markets.

Critics claim the alleged undervaluation contributes to America's large trade deficit with China and has cost American jobs. China denies that it keeps its currency artificially low.

Although revaluing the yuan remains China's choice and judgment, Beijing is likely to resume drifting toward a flexible exchange rate in its own interest, Mr. Geithner told television channel NDTV Profit in an interview. He lauded India for maintaining a successful exchange-rate policy and for emerging relatively unscathed from the global



U.S. Treasury Secretary Timothy Geithner, right, tours a New Delhi neighborhood Tuesday during a two-day visit to India.

financial meltdown that battered several developed economies.

Mr. Geithner said his visit comes "at a time of encouraging prospects for the U.S. and Indian economies, and the beginnings of global economic recovery."

After a severe recession sparked by the subprime mortgage melt-

down and the global financial crisis, the U.S. economy has grown for three straight quarters. The Commerce Department reported in late March that U.S. gross domestic product rose at a 5.6% annual rate in the October-December period, its third estimate for the final quarter of 2009.

"While unemployment remains unacceptably high, the private sector has added jobs during four of the past five months, private investment is increasing, productivity growth is very high, the financial system is recovering, private savings have improved and our economy is now borrowing significantly less from the rest of the world," Mr. Geithner said.

He added that the U.S. has started sweeping reforms including health care and infrastructure, and aims to restore fiscal stability as the world emerges from recession.

India navigated the financial crisis with a steady hand and has emerged from the global recession stronger and faster than most other large economies, Mr. Geithner said.

India's economy—which is driven by strong domestic demand—is forecast to have grown at least 7.2% in the fiscal year that ended March 31. The data will be released in May.

It's "in the interest of the world that there is stronger domestic demand world-wide, just like what we are seeing in India, so that the world emerges growing at a stronger, more balanced and sustainable" pace, Mr. Geithner said.