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VOL. XXVIII NO. 7

EUROPE

Tuesday, February 9, 2010

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Amid a sea of blue, cheers mark a closing chapter on the Orange revolution



Supporters in Kiev, Ukraine, rally in front of the Central Election Commission on behalf of Viktor Yanukovich, winner of Sunday's presidential election. Article on page 6

## Europe markets' turbulent session

European shares finished mostly higher Monday in a churning session that reflected continued concerns about the fiscal and economic health of countries along Europe's periphery.

Greece remained in focus, with the ASE Composite down 3.9%, led lower by banking stocks. Portuguese stocks also traded sharply lower early in the day but managed to recover into positive territory.

A test for the market could come Tuesday when the U.K. auctions £2.5 billion (\$3.9 billion) in long-term debt.

Gilts fell Monday amid concerns about the U.K.'s large deficit and the uncertainty of coming national elections.

Investors remain most edgy about challenges in the euro zone, including the possibility that problems in small countries such as Greece and Portugal could quickly spread to much larger economies.

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# Honda says Toyota fallout could hurt auto industry

By YOSHIO TAKAHASHI AND MARIKO SANCHANTA

Honda Motor Co.'s finance chief warned that Toyota Motor Corp.'s massive recall could have a ripple effect throughout the broader auto industry, denting consumers' faith in the quality and safety of vehicles.

In an interview, Honda Chief Financial Officer Yoichi Hojo also said the auto maker will ratchet up competition in the U.S. car market with increased incentives to reduce excess inventory of some models. At the same time, he stuck with the company's refusal to target incentives specifically to Toyota customers, despite similar moves by U.S. auto makers.

Honda's stance could leave an opening for General Motors Co. and other car makers that launched sales campaigns to give \$1,000 to consumers who trade in their Toyota vehicles and buy their cars. Ford Motor Co. offered a program to draw new customers that includes Honda's customers as well as Toyota's.

By contrast, Honda has said it will continue offering "orthodox" measures such as leasing services and the usual discounts to any kind of customers, not limited to Toyota owners. Toyota's troubles "won't necessarily be a positive," said Mr. Hojo.

Worse, Toyota's quality issues could cast a shadow over other auto makers. "I think we should see this Toyota

problem from a broader viewpoint," he said. "If customers start to harbor doubts about [quality and safety], that would be problem for the whole industry."

Mr. Hojo's comments illustrate the difficulties that Toyota's quality woes present to the rest of the industry. The world's No. 1 auto maker by sales volume is a fierce competitor with a strong presence in fuel-efficient vehicles such as its gasoline-electric Prius hybrid. The company has recalled 8.1 million vehicles for sudden-acceleration problems and will likely start a separate effort this week in Japan to fix braking problems on some Prius models, weakening its competitive edge.

At the same time, Toyota's

troubles have raised sensitive industrywide issues, including the role of U.S. safety regulators such as the National Highway Traffic Safety Administration in probing Japanese-made cars after Washington-led bailouts of their U.S. rivals. Mr. Hojo played down those tensions. "I don't think that NHTSA is anti-Japanese," he said.

Mr. Hojo said that Honda, Japan's No. 2 auto maker, is set to increase incentives to car buyers in the U.S. to \$1,400 per vehicle in the quarter ending March 31, up from \$800 provided in the previous quarter.

"We have relatively low inventory levels. But for the Accord and the Civic, their inventory days came to around

70 days in January [compared with the company's average of 60 days]. So we'll spend incentives for these," he said.

Among the major car makers in the U.S., Honda offered the lowest average incentive of \$1,281 last year, according to data by Edmunds.com.

The car maker expects net profit to soar 93% to 265 billion yen (\$2.96 billion) this fiscal year.

Mr. Hojo said that in India, sales of Honda's motorcycles "are growing explosively" with a 30% sale increase in the three months ended in December.

Honda is also set to launch a low-cost car with a price of below 500,000 rupees (about \$10,720) in 2011 to tap the booming market.

### The Quirk



Snow-shovel racing may have gone downhill, but now it's back. Page 33

### Editorial & Opinion

The new German anti-anti-terrorists. Page 15



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## PAGE TWO

# A crisis of sovereignty as well as debt

## [ Agenda ]

BY PATIENCE WHEATCROFT



The European Union is in need of a new economic strategy.

The veracity of that statement might seem indisputable, as various EU countries, led by Greece, struggle to avoid being crushed by their accumulated debts. But in the surreal bureaucratic thinking of the EU, the reason it needs a new economic strategy has as much to do with the fact that its previous one is nearing its expiry date as any desperate need to deal with the current crisis.

In March 2000, the EU set out its strategy for the next decade. It wasn't unambitious. In fact, it showed an heroic determination to ignore what was going on elsewhere in the world, for at the heart of the economic policy was a new strategic goal: "to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion."

It seems almost cruel now to revisit the document which explained how this was to be achieved. There was to be an emphasis on "modernizing the European social model, investing in people and combating social exclusion" and a drive to "improve the quality and sustainability of public finances."

Such was the blinkered, Eurocentric vision of the world that it hadn't focused on the challenges rising from China and India. The latter Monday said its growth was now steaming ahead at 7.2% a year, a level of dynamism EU countries couldn't dream of emulating.

It seems unlikely that, when they meet in Brussels on Thursday for a special economic summit, the EU's leaders will devote much time to assessing just how far



Bank of England governor Mervyn King at a G-7 meeting in Canada

short they have fallen of the targets they set in 2000. Neither are they likely to want to dwell on the reasons for such abject failure. The concise explanation though is that talking is easy, doing is much harder.

Europe's leaders continue to utter grand pronouncements. This weekend, they were doing so in the suitably chilly environment of Iqaluit, Canada's Inuit capital, at a

## 'The G-7 is fundamentally useless,' declared Simon Johnson, the IMF's former chief economist

meeting of G-7 finance ministers.

According to Timothy Geithner, the U.S. secretary of Treasury: "The European authorities gave us a very comprehensive review of the program now in place to address the challenges faced by the Greek economy."

If Mr. Geithner was truly reassured by what he heard, then either he must be gullible in the extreme, which wouldn't be ideal, given the job he holds, or he was told rather more than the rest of the world has heard.

The markets are making it very clear that they are anything but sanguine over Greece's ability to cope with its plight unaided. Opinion polls show the majority of

Greeks approve the austerity measures the government has announced, but a looming general strike this week indicates that individuals' approval is theoretical and doesn't apply to measures that will hit them personally. Hence the conviction that some sort of bailout for the country will prove to be essential

As the finance ministers sledged away from their conference, a less positive view of the proceedings came from the former chief economist of the International Monetary Fund. "The G-7 is fundamentally useless," declared Simon Johnson. He added: "The G-7 countries are completely asleep at the wheel."

While Mr. Geithner may have been persuaded that the Greek situation was controllable, Mr. Johnson recognized what the markets fear. "There's a very serious crisis inside the euro zone," he said.

Greece is only the worst of the offenders against economic probity and it may not be the only country to require a bailout. The euro, which not so long ago harbored grandiose dreams of being a reserve currency, now looks sickly.

It was never going to be easy to make a single currency work for so many diverse countries with very different economic models. A central bank setting interest rates in a vacuum, while constituent governments have

control over fiscal and economic policy, always looked flawed.

That is why the economic policy set down in 2000 talked of the need to "pursue fiscal consolidation." This was, you see, the work of the Lisbon European Council. It was the talk of closer integration of the various EU countries which caused such angst among those who argued that the EU should be limited in its ambitions, a single market but not a single political entity.

Yet the problems now enveloping the bloc will give impetus to those who still want to pursue the latter model. Spain has already indicated that it will use Thursday's meeting to call for a more unified EU.

Spain took over the rotating presidency of the EU at the beginning of this year. The country's prime minister, Jose Luis Rodriguez Zapatero, said last week that he believed the economic plan for the next ten years should involve a move to a single economic policy for the EU, covering spending, investment and tax policies.

"The Lisbon Treaty allows more coordination. We should make sure to give the Commission new powers," he said, a view apparently endorsed by France's President Nicholas Sarkozy.

Having remained outside the single currency, Britain will be on the sidelines of such a debate. Many in the country were dubious about the implications of the Lisbon Treaty and its eventual acceptance by the government without a referendum was a cause of some controversy.

But if the stronger countries in the euro zone are going to have to come to the aid of the weaker ones, then they may rightly feel that they need to have more input into how those countries are run. Assurances from the Greek premier that he will put his house in order may not be enough to persuade Germany that sufficient change will be wrought. This crisis isn't just about sovereign debt; it could end up being about sovereignty itself.

## What's News

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### Iain Martin on Politics

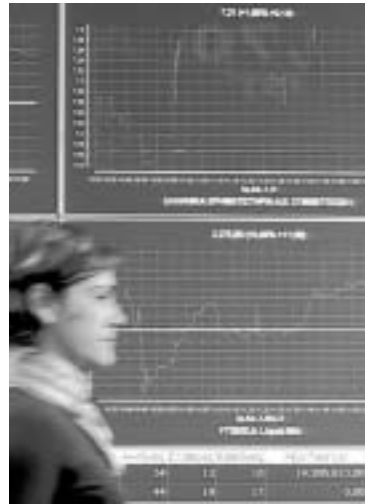
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Iain Martin on the limited options for Alistair Darling in crafting a U.K. budget



### Continuing coverage



Follow the latest market reaction to Greece and Portugal's financial crisis at [wsj.com/markets](http://wsj.com/markets)

### Question of the day

**Vote and discuss:** If you were in the market to buy a car today, would you consider a Toyota?

Vote online and discuss with other readers at [wsj.com/dailyquestion](http://wsj.com/dailyquestion)

### Previous results

**Q:** Which country do you think is next in Europe's debt crisis?

Spain	53%
U.K.	21%
Russia	7%
Italy	19%

THE WALL STREET JOURNAL EUROPE  
(ISSN 0921-99)  
Stapleton House, 29 - 33 Scrutton Street,  
London, EC2A 4HU

SUBSCRIPTIONS, inquiries and address changes to:  
Telephone: +44 (0) 207 309 7799. Calling time from  
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ADVERTISING SALES worldwide through Dow Jones  
International. Frankfurt: 49 69 9714280; London: 44 207  
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Printed in Belgium by Concentra Media N.V. Printed in  
Germany by Dogan Media Group / Hürriyet A.S. Branch  
Germany. Printed in Switzerland by Zehnder Print AG WIL.  
Printed in the United Kingdom by Newsfax International  
Ltd., London. Printed in Italy by Teletampa Centro Italia  
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M-17936-2003.  
Registered address: Boulevard Brand Whitlock, 87, 1200  
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NEWS

REMEMBRANCES | FELICE QUINTO: 1929 - 2010

# Early paparazzo got fame himself

BY STEPHEN MILLER

A paparazzo before the term was even coined, Felice Quinto chronicled La Dolce Vita when it was a louche lifestyle and not yet a film.

Mr. Quinto, who died Jan. 16 at age 80, made his living snapping and selling photos of celebrities. Tearing around Rome in the 1950s on a Moto Guzzi motorcycle, he joined a small fraternity who harried and ambushed royalty and show-business stars. Most of his shots he sold to Italian magazines, while some of the tamer ones he sold to the Associated Press.

The emerging, somewhat roguish profession dedicated to documenting decadent nightlife was memorialized by director Federico Fellini in the 1960 film "La Dolce Vita," which featured a celebrity photographer named Paparazzo. The source of the name is disputed. Mr. Fellini suggested it was slang for a mosquito, but it spread along with celebrity culture. Mr. Quinto said Mr. Fellini offered him the role, but found it more lucrative to sell photos from the movie's set.

In the late 1970s, with a photographer's exquisite timing, Mr. Quinto again documented a decadent social whirl as a kind of unofficial court photographer at Manhattan's Studio 54. "We didn't have any discernible product—our music and liquor were the same as everybody else's. It was the magic we could create," says Ian Schrager, co-founder of Studio 54. "Quinto turned us into this media phenomenon, with these pictures that would make it around the world."

His photos of Liza Minelli, Bianca Jagger and other stars of the day cavorting in (or out of) costume under colored lights helped cement the club's image as the center of high-end disco madness. Large-scale celebrity images he shot in the 1970s adorn a recreated Studio 54 at the MGM Grand Hotel & Casino in Las Vegas.

Born in Milan in 1929, Mr. Quinto was the son of a camera-shop owner. Asked about his journalistic training, he said in a 1985 interview with the Dallas Morning News, "The only school was just the necessity to eat."

Mr. Quinto's career took an almost surreal turn soon after "La Dolce Vita," when he and another photographer stalked the film's star, Anita Ekberg, from a Via Veneto nightclub to her home, where they continued to snap flash photos. An angry Ms. Ekberg emerged armed with a bow and arrow and managed to hit but not wound Mr. Quinto, then kned him in the groin. He handed over a roll of film, but kept the actual shots, which were flashed to newspapers around the world.

In 1963, Mr. Quinto moved to New York to marry an American schoolteacher, Geraldine Del Giorno. Working mostly for the AP, Mr. Quinto covered Martin Luther King Jr. and the 1960s-era civil-rights movement. He caused a sensation in 1978 when he photographed the dead Pope Paul VI being measured for a casket. In 1979, New York magazine dubbed him the "grand old man" of the paparazzi craft.

Courtly and immaculately

dressed in designer Italian suits, Mr. Quinto liked to say that he always tried the polite approach, often asking permission to take a photo rather than confrontation or stalking. "There is no friendship in the night," he said in the 1985 interview. "In the morning, they don't remember faces."



Associated Press



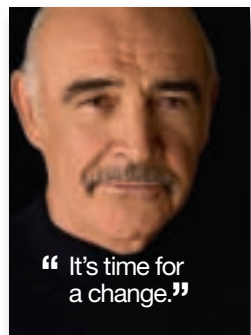
Swedish-born actress Anita Ekberg confronts Felice Quinto with a bow and arrow outside her Rome villa in 1960.

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## EUROPE NEWS



European Pressphoto Agency

Former Olympic Airways contract employees rally outside the Labor Ministry in Athens on Monday, demanding to get their jobs back. Unemployment is rising in Greece.

# Greece could get help on fiscal woes

*While ECB and national banks can't bail out nation, neighboring euro-zone countries or the IMF might step in*

BY ADAM COHEN  
AND CHARLES FORELLE

BRUSSELS—European officials here are quick to scoff at talk of a bailout for crisis-racked Greece, the hardest-hit country in the euro zone, insisting Athens needs to get its fiscal house in order.

But if the sovereign-debt worries that are infecting the currency area's weakest members intensify, and Greece has trouble refinancing its heavy borrowings, European policy makers will have several options to help Greece out of its jam.

They are rarely discussed publicly, though, since a bailout would be a grim milestone for the common currency—an admission that European Union budget rules designed to maintain a stable euro are deeply inadequate.

Greece's borrowing costs have risen sharply in recent months on market fears the country can't handle its ballooning budget deficit, which soared to almost 13% of gross domestic product last year—far above the euro-zone limit of 3%.

The country is entering a critical period this spring, when it needs to borrow almost €23 billion (\$31.5 billion), which makes up a little more than 40% of its expected borrowing for the year.

The troubles in Greece point up a longstanding weakness in the governance of the common currency. While the European Commission can demand that countries trim their deficits, it has few tools to enforce those orders since control of national budgets always remains the province of individual countries.

Giving aid to Greece wouldn't be straightforward, since the European Central Bank and national central banks can't bail out countries, according to the EU's governing treaty.

But several EU diplomats and experts say there are no such strictures on individual governments. Euro-zone countries can't be forced to accept liability for their brethren's borrowing, but there is nothing to keep them from voluntarily helping others.

EU diplomats in Brussels say the most likely contingency plan for Greece would involve a support package led by Germany and France, the euro zone's largest and most stable economies. A German government spokesman says Germany is "crystal clear" that Greece must work through its problems; French officials have repeatedly said a bailout isn't on the cards.

Another part of the EU charter explicitly says the bloc can step in with financial aid, if there are "ex-

## Menu of options

EU officials are swatting down talk of a bailout for Greece. But, should it come to that, the bloc has several options.

- **Bilateral loans:** Neither national central banks nor the European Central Bank could issue debt for Greece, but nothing stops national governments from making loans out of their own budgets.
- **EU-coordinated bailout:** An EU treaty permits the bloc to give financial help to a country faced with "exceptional occurrences beyond its control."
- **International Monetary Fund:** The IMF has bailed out three EU countries, Hungary, Latvia and Romania, though none is in the euro zone. Falling back on the IMF could be a major blow to the common currency.

ceptional occurrences" involved. This clause in the treaty usually covers natural disasters, but it could be extended in theory to severe financial disruptions.

"In principle, the other member states of the European Union can deal with this," says Paul De Grauwe, an economics professor at Belgium's Catholic University Leuven. "There is nothing in the treaty that says they cannot do it."

Mr. De Grauwe says that there is "no institutional framework" for bailing out member states and that policy makers would need to come up with ad hoc solutions. One option, he says, may be debt backed up by the guarantees of larger EU coun-

tries—akin to the Brady bonds created after the Latin American debt crisis of the 1980s.

Officials from EU countries and the European Commission say they want to avoid Greece's needing to appeal to the International Monetary Fund for help. The IMF has bailed out three EU countries—Hungary, Latvia and Romania—in the current crisis, but no euro-zone nations.

The bloc also fears the IMF might give Greece more-lenient terms than the commission and other EU states are demanding, allowing a longer period for the country to curb its deficit, according to one EU diplomat. This concern sur-

passed last spring when the EU and IMF jointly gave Romania an emergency loan. The commission warned the IMF that its original lending plan would allow Romania to keep flouting the EU's budget rules.

If Germany and France mobilize support, they may also ask for contributions from Italy and the Netherlands, EU diplomats said, the other euro-zone economies that may have the capacity to help a struggling peer. This bailout could take any of several forms, including a direct cash grant, a loan facility linked to other governments' borrowing programs or even a guarantee against Greece defaulting on its debt.

Last week, IMF Managing Director Dominique Strauss-Kahn said the fund is prepared to help Greece, if needed, but he added that he understands that the euro zone might want to handle this matter on its own. A direct-aid package from these nations could be valued at around €25 billion, another EU diplomat said.

Greece issued €8 billion in new debt on Jan. 18, in a sale that was oversubscribed heavily. This should have reassured investors, but in recent weeks, Greek bond spreads and the cost of insuring the country's debt have hit highs.

# Public backs Athens' austerity program

BY ALKMAN GRANITSAS

ATHENS—Most Greeks support their government's austerity program despite a planned public-sector strike, opinion polls showed.

Four separate polls over the weekend showed public support of more than 60% for tough measures to fix the country's public finances, and some Greeks wanted even-stiffer overhauls. The polls also showed relatively little support for

recent protests by farmers or for coming strikes by civil servants.

The polls come as Greece searches for ways to reduce its budget deficit. The government said late last year that the deficit would likely be equivalent to 12.7% of gross domestic product in 2009, double the previous estimate.

That news prompted ratings downgrades and a selloff in Greek government debt, which has pushed up the interest rate that the govern-

ment has to pay. The decline in the value of government debt has sparked worries about the health of Greek banks, which are large holders of government debt. On Monday, bank stocks fell 6.8% on average, and the Athens stock exchange closed lower for the fifth straight day, down 3.9%, even as other European bourses reported gains.

Greece's problems have also sparked anxiety over some of Europe's other weak economies, such

as Spain and Portugal.

Last week, Greece announced further measures to combat debt, including a freeze on public-sector wages. The measure is unpopular with public-sector workers, and their umbrella union is planning a 24-hour strike on Wednesday. But the weekend polls show that the government has public backing for its moves.

A poll in Sunday's To Vima newspaper reported 64.1% of respondents

saying the government's reforms are in the "right direction."

Another Sunday newspaper, Proto Thema, said 54.6% voiced their support for a freeze in public-sector salaries. The paper said 60.6% of the public feel the government should have acted sooner.

A poll in the Saturday edition of financial daily Imerisia showed that 68.9% of the public thinks the austerity measures are necessary for the country to exit the crisis.

EUROPE NEWS

# Gazprom touts growth prospects

*Firm tries to reassure investors as supply glut threatens to damp European gas demand*

By GUY CHAZAN

OAO **Gazprom** is seeking to reassure investors of its growth prospects as a looming supply glut threatens to depress European demand for Russian natural gas for years.

Gazprom's managers, in the midst of a roadshow that takes them to Moscow, London and New York this month, are telling investors the company's share of the European natural-gas market will grow from roughly a quarter now to nearly a third by 2020.

Meanwhile, a Gazprom presentation shows sales to all export markets outside of the former Soviet Union will more than double—to between 320 billion and 345 billion cu-

bic meters by 2030 from about 140 billion cubic meters this year. The company says it will export 161 billion cubic meters to Europe this year, up 15% from last year.

Gazprom's growth targets, however, contrast with recent changes in the global natural-gas market. The company's exports slumped last year as the economic downturn slashed industrial demand. Meanwhile, supply surged as liquefied-natural-gas projects came onstream and production of unconventional shale gas boomed in the U.S.

"I don't have very good news for Russia, I'm afraid," Fatih Birol, chief economist at the International Energy Agency, told an investment conference in Moscow last week. He said the supply glut would last until

2015.

The industry's changes mark a big shift from the days when Russia sought to remake itself as an energy superpower and was accused by the U.S. and others of using its natural-gas exports as a geopolitical weapon to bully its neighbors.

Gazprom itself acknowledged how weak energy demand is changing its strategy when it announced a three-year delay to the start of its massive Shtokman field in the Arctic on Friday. Shtokman was supposed to produce its first gas in 2013 and begin shipments of liquefied natural gas, or LNG, to North America in 2014.

In a statement, Gazprom said it had agreed with partners **Statoil** ASA, of Norway, and France's **Total**

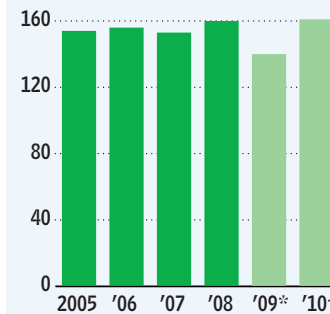
SA to postpone production from Shtokman until 2016. It already has put back the start date for another big gas field, Bovanenkovo on the Arctic Yamal peninsula, by a year until 2012.

Gazprom officials predict the supply glut will dissipate more quickly than Mr. Birol of the IEA says. European demand will rebound by 2012, they say—with climate-change policies being a key driver. Gas burns much more cleanly than coal and is widely seen as an important bridge to a low-carbon future. They also point to the decline in domestic European production of gas in places like the North Sea.

Meanwhile, Gazprom says its robust market share in Europe is underpinned by a large portfolio of

Demand bounces back

Gazprom export volumes, in billions of cubic meters



\*Estimate  
†Projection  
Source: the company

long-term contracts. It says it has already contracted to deliver 3.1 trillion cubic meters of gas to Europe between this year and 2035 under take-or-pay contracts, according to the presentation given to investors, guaranteeing revenue of about \$1 trillion.

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## EUROPE NEWS

# Yanukovych declares win in Ukraine

Opposition leader's apparent victory over prime minister could lead to court battle, though monitors say vote fair

BY RICHARD BOUDREAUX  
AND JAMES MARSON

KIEV, Ukraine—Viktor Yanukovych won Ukraine's presidential election, near-complete returns showed Monday, a surprise sequel to the 2004 Orange Revolution that had cast him aside as an autocratic machine-politician and tool of Russian imperial designs.

The opposition leader received 48.79% of the ballots cast Sunday, compared with 45.63% for his Orange rival, Prime Minister Yulia Tymoshenko, election officials reported in a count based on 99.38% of votes.

Mr. Yanukovych proclaimed victory. But Ms. Tymoshenko didn't comment Monday, canceling an afternoon news conference and closeting herself with aides. Her next move remains unclear, indicating Ukraine could be in for a protracted struggle in the courts. Before the election, she had threatened to call supporters onto the streets if there was evidence of fraud.

A team of observers led by the Organization for Security and Cooperation in Europe endorsed the vote as an "impressive display" of democracy and called on Ukraine's leaders to "listen to the people's verdict."

Mr. Yanukovych's unlikely comeback is a story of reinvention. Bowed by the massive street protests that overturned his tainted election in the 2004 presidential race, he adopted the rules and rhetoric of democracy—and advice from an American political consultant—to maneuver his way back to power.

By running in a series of fair elections made possible by those protests, and prevailing Sunday, the villain of the Orange Revolution has become its unintended beneficiary. Now the question is how he will govern.

Mr. Yanukovych's evolution matters beyond Ukraine, a former Soviet republic of 46 million people wedged between Russia and the West and divided over which to embrace. As a passageway for Russia's natural-gas exports, Ukraine is crucial to the European Union's energy security. Russia, authoritarian at home and assertive with its neighbors, views Ukraine as part of its own security and economic sphere of influence.

The 59-year-old Mr. Yanukovych struck an inclusive note after Sunday's election, promising those who cast ballots against him that "your votes will be taken into account" as he strives "to bring all citizens together."

Adjusting what had been a pro-Moscow tilt, he campaigned on a promise to pursue respectful but independent relations with Russia while seeking integration with Europe.

"Europe means high living standards, defense of a person's rights,



Viktor Yanukovych speaks at a press conference in Kiev on Sunday after the vote. On Monday, with most of the ballots counted, he declared victory.

a low level of corruption and an efficient economy," he said in an interview last month. "The Orange Revolution," he conceded, "had good slogans and plans, but they were badly carried out."

Some question Mr. Yanukovych's sincerity or read his moderated rhetoric as a recipe for indecision and stagnation.

"He could freeze Ukraine in a gray zone, a security vacuum between Russia and the European Union," said Hryhoriy Nemyria, Ms. Tymoshenko's deputy prime minister. Instead of moving closer to the West and prospering, he added, "Ukraine at best would just muddle through."

But people close to Mr. Yanukovych say he has a vision and a lifelong record of adapting to harsh challenges.

He was born into a poor working-class family in Donetsk, an industrial and mining region of Russian-speaking eastern Ukraine. His mother, a nurse, died when he was 2 years old. His father, a locomotive driver, remarried and sent him to live with his maternal grandmother. She became ill and he wound up in an orphanage, a brawny teenager drawn to gang fights.

By age 20, he had two convictions, for robbery and assault, petty crimes he now calls "errors of youth." His upbringing made him aloof and distrustful, says Hanna Herman, a close associate and member of parliament. "He's been betrayed, left alone, so many times," she says.

Three influential men gained his confidence and promoted his career. Georgi Beregovoi, a former Soviet cosmonaut, helped the young Mr. Yanukovych, who had become an electrician at a bus company, rise through the managerial ranks of Soviet-era transport companies and into politics. Rinat Akhmetov, a bil-

lionaire steel magnate, became a financial backer of Yanukovych's Party of Regions.

Leonid Kuchma, an autocrat who was then Ukraine's president, appointed Mr. Yanukovych governor of Donetsk in 1997 and later prime minister. It was Mr. Kuchma's attempt to anoint him as his successor in 2004, with the Kremlin's open support, that sparked the Orange protests, ushering in a Western-backed leadership under President Viktor Yushchenko.

Mr. Yanukovych resigned as prime minister and briefly left the country in early 2005, fearing arrest by prosecutors who, inconclusively, were probing his alleged misuse of public funds.

His isolation was evident in July that year, Ms. Herman says, when only she and a few other loyalists turned up for his birthday reception. Among them was Mr. Akhmetov, whose patronage kept the party united behind him.

At Mr. Akhmetov's suggestion, he dismissed his Russian advisers and hired Paul J. Manafort, an American political consultant who had advised Republican U.S. Sen. Robert Dole's 1996 presidential campaign. For a start, Mr. Yanukovych got rid of his bouffant hairdo, a favorite of Soviet apparatchiks.

His prospects brightened dramatically when feuding between President Yushchenko and Prime Minister Tymoshenko splintered their Orange coalition in the run-up to the 2006 parliamentary elections. Mr. Yanukovych's party finished first, vaulting him back into office as prime minister.

"His enemies resurrected him from political death," says Olena Bondarenko, a member of parliament from Mr. Yanukovych's party.

Mr. Yushchenko's supporters saw a more important shift: In the upheaval of 2004, Ukraine had thrown

## A nation divided

Who won each of Ukraine's administrative regions



off its autocratic past, forcing Mr. Yanukovych play by democratic rules.

His change was striking. As prime minister, Mr. Yanukovych began speaking Ukrainian, not only Russian, in public. He embraced the president's pro-Western platform, advocating a free-trade pact with the EU.

The shift reflected the interests of Mr. Akhmetov and other wealthy backers, who compete with the Russian oligarchs and see their future prosperity tied to European markets.

Mr. Yanukovych's stint as prime minister was short; Mr. Yushchenko dissolved parliament in 2007 and called new elections, which brought Ms. Tymoshenko back to the job.

But that setback positioned Mr. Yanukovych to run for president against an unpopular government hit by the world financial crisis, blaming it for the 15% shrinkage of

Ukraine's economy last year.

Under Mr. Manafort's guidance, Mr. Yanukovych's stiff, rambling speeches gave way to an avuncular, straight-talking style. At a campaign stop in the Crimean city of Simferopol, he engaged a friendly crowd with short, crisp sentences. When one man complained about low pensions for retired military officers, he declared, "I'll fix it, 100%" and, turning to an aide, instructed: "Make a note."

Mr. Manafort declined to speak about the details of his assistance to Mr. Yanukovych. But he noted that Mr. Yanukovych had employed an effective anti-incumbent strategy.

"Tymoshenko tried to portray herself as the leader of democratic forces," Mr. Manafort said. "Yanukovych ran as the leader of the forces of change. He kept the focus on that message, on the fact that she'd had her chance and botched the job. And he made that case."

## A comeback in Ukraine | The rise and fall and rise of Viktor Yanukovych

1950

Yanukovych born in Donetsk region.

1967 and 1970

Convicted of assault and robbery, served two prison sentences totaling 2 years and 7 months.

1997

Appointed governor of Donetsk region in Ukraine's industrial east.

2002

Appointed prime minister by President Leonid Kuchma.

Nov.-Dec. 2004

Declared winner of tainted presidential election, but protests force a rerun, won by Viktor Yushchenko.

Aug. 2006

Returns as prime minister after his party wins parliamentary election.

Dec. 2007

Parliamentary elections yield a new coalition with Tymoshenko as prime minister. Yanukovych enters opposition.

Feb. 2010

Wins presidential election, according to near-complete returns.

EUROPE NEWS

# France on defensive

Minister says no other EU state has sent Afghanistan more troops

BY PETER SPIEGEL

PARIS—French Defense Minister Hervé Morin defended his country's decision to send only 80 additional military trainers to Afghanistan, saying France has already increased its presence by 1,300 soldiers in less than two years.

Speaking after meetings here with his American counterpart, Defense Secretary Robert Gates, Mr. Morin said Paris had sent hundreds of additional troops—which brought France's presence to about 3,700—at a time “no other European country was increasing their strength” in Afghanistan. “We have made an enormous effort since July 2008,” Mr. Morin said.

The French decision, announced last week at a meeting of North Atlantic Treaty Organization defense ministers, came in response to the Obama administration's call in December for allies to quickly send more troops to augment the 30,000 committed by the White House as

part of President Barack Obama's surge.

France was the last major ally to announce its commitment, and the 80 trainers were far fewer than the U.S. had anticipated. The French announcement follows a similarly lower-than-expected move from another major troop supplier, Germany, which will add 850 troops.

### 'Elections likely played role in Sarkozy's decision to make only a token increase'

The war remains unpopular in both countries, and the government of French President Nicolas Sarkozy faces important regional elections next month, which likely played a role in Mr. Sarkozy's decision to make only a token increase, analysts said.

Despite the decision, Mr. Gates refrained from criticism during a news conference with Mr. Morin. Instead, he praised the French effort in Afghanistan, saying it was “important to maintain some perspective” in light of France's increase in troop strength since 2008.

“Since this conflict began, thousands of French troops have served courageously alongside American forces and other members of the coalition, and many have made the ultimate sacrifice,” Mr. Gates said.

Both countries continued to apply pressure on Iran, as well, with the two ministers agreeing that the international community should work toward a new sanctions regime against Iran because of Tehran's refusal to halt its nuclear program.

Mr. Gates said that all U.S. and allied efforts to reach out to Iran “have been rejected,” and that it was time to turn to sanctions.

“We must still try and find a peaceful way to resolve this issue,”



U.S. Defense Secretary Robert Gates, left, with France's Hervé Morin, Monday.

Mr. Gates said. “The only path that is left to us at this point, it seems to me, is that pressure track.”

Iran has said its nuclear program is intended for civilian uses, but Mr. Morin said France was “convinced” it was intended for military purposes.

The two men also discussed a dispute over a French move to sell an amphibious assault ship to Russia. France and Russia had been in negotiations over the Mistral-class warship for months, but Paris an-

nounced Monday that it had finally agreed to the sale.

Eastern European NATO allies have criticized the deal—the first by a NATO member to Russia since the end of the Cold War—and the U.S. has weighed in on their behalf.

Mr. Gates declined to disclose what he said in the private meeting, but Mr. Morin defended the decision, saying that Russia is no longer a Cold War adversary and the West should build new relationships with the Kremlin.



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## U.S. NEWS



Carlos Osoria/Associated Press

Kennecott Minerals Co. project manager Jon Cherry explains company plans at the long-delayed site in Big Bay, Michigan.

## Permits drag on mining

Seven-year wait makes U.S. companies look elsewhere to dig

By Robert Guy Matthews

Obtaining the permits and approvals needed to build a mine in the U.S. takes an average of seven years, among the longest wait times in the world. So despite having vast underground stores of raw materials, the U.S. is one of the last places miners go to start a project.

At the proposed Kennecott Eagle nickel mine in Michigan's sparsely populated Upper Peninsula, the wait is at seven years and growing. Global miner **Rio Tinto** says the project would fill a raw-material gap in the U.S. economy, but it has yet to produce an ounce of nickel there.

Last month, a state agency issued a final order making state water, air and mine permits effective, but Rio still needs a federal water permit and expects challenges from environmental groups.

Overall, the U.S. is tied with Papua Guinea for the longest approval process among the 25 top mining countries in the world, according to Behre Dolbear Group, an international mining and mineral advisory group. In Australia, a huge mining center, the process takes an average of one to two years.

The length of the mine-approval process means that the U.S., while having the reserves as well as the market appetite for metals and minerals, remains one of the top importers of the materials from Australia, Brazil, Canada and Africa.

"We are becoming more and

more dependent on metal imports in the U.S.," said Luke Popovich, spokesman for the National Mining Association. Imports into the U.S. for selected metals—including gold, copper and zinc—rose 8.7% from 1998 to 2008, according to the U.S. Geological Survey.

The time frame in the U.S. isn't necessarily reflective of tougher laws. Australia and Canada have environmental laws for mine building that are on par with U.S. rules, but mine building often draws more opposition in the U.S. Part of that is due to mining's checkered history and reputation for pollution, abandonment and sometimes-shoddy management. U.S. companies have cleaned up their management for the most part, but reputations haven't caught up.

Emily Bernhardt, ecologist and assistant professor at the biology department at Duke University, says a focus on the length of the permitting process in the U.S. is misplaced. "The length of time it takes for permitting is almost irrelevant because they are not always looking at the right issues," she said.

This month, Ms. Bernhardt co-authored a scientific paper calling on the U.S. Environmental Protection Agency and the Army Corps of Engineers to stay all new mountain-top mining permits. One issue is the permits focus on mainly local mining-site environmental impacts but don't take into account impacts far from the mine site, she said.

Minerals are critical to economies, as raw materials for power stations, bridges, cars, appliances and computers. They are limited by nature and can't be mass produced. Having a domestic source means lower costs, and mines generate jobs and taxes.

But mines also permanently change a landscape and community with new roads, heavy equipment and traffic. Their impact on water sources is increasingly being scrutinized both in local communities and through regulation and court processes. Environmentalists, conservationists and some scientists are studying whether minerals leaching into water systems can harm water purity or cause health problems.

Other concerns for underground mining include the creation of sinkholes, soil contamination, loss of biodiversity and erosion.

Mining companies contend that laws and processes in place mitigate most of these concerns. They also say that a balance has to be struck between leaving land untouched and providing needed materials. But most people simply don't want a mine near where they live.

"Folks say it is just a little mine, but it is a loss of a place that I find so compelling a reason to stand up for," said Cynthia Pryor, a spokesman for the Yellow Dog Watershed Preserve, dedicated to stopping the Michigan nickel mine. "There is timber and blueberry and hunting and all the things that are of value to a local community."

J. Murray Gillis, who teaches on mining issues at Michigan Technological University, says concerns are often misplaced, noting that mining companies put up bond money to restore land. "Mining companies have such great restrictions and everybody is watching them," he said.

Ms. Bernhardt said mining companies, in general, have done what they have been asked to do but that the permitting process is flawed. "What the permits are allowing to happen, as in mitigating damage from mining, is not in fact mitigating damage," she said.

Seven years ago, Rio began working on developing the nickel reserve in the Upper Peninsula. It was considered ideal because it is in a relatively definable area. The 90-acre project anticipates 500 construction jobs and about 200 long-term jobs in an area with unemployment around 20%. The proposed mine is located below a river bed.

Rio has obtained dozens of permits from local, state and federal bodies that regulate water, air and pollution. Mining companies generally have to provide air- and water-quality samples, survey maps of potential water leaching, wastewater storage and plans for reclamation, such as reseeding of vegetation.

Rio says it will continue its efforts until the mine is opened. "Mining companies have to go where the minerals are," said a spokeswoman.

## Historic anniversary brings Iran questions to the fore

[ Capital Journal ]

By Gerald F. Seib



This is to be a week of testing on Iran: testing of the Iranian government, of the international will to oppose that government and of the delicate balancing act that is American policy.

The force bringing all these tests to the surface is the calendar. Feb. 11—Thursday—is a giant day in Iranian life, the anniversary of the 1979 revolution that brought the Islamic government to power.

The anniversary traditionally brings forth big marches of celebration. This year it almost certainly will call forth similarly big marches by those who have been protesting since last June's disputed presidential election.

For the U.S., the question this week is likely to bring to the surface is whether it's possible to sustain a policy that weaves together three disparate strands: engagement with the regime in Tehran, economic sanctions against that same regime and at least subtle support for those opposing that regime.

In anticipation, various actors in recent days have been moving to their spots on the international stage. In Tehran, President Mahmoud Ahmadinejad has been his usual erratic self, declaring one day that Iran was ready to abide by an agreement to send low-enriched uranium abroad for further processing under international safeguards, and then a few days later ordering his country's scientists to just do the processing themselves.

Meanwhile, at an international conference in Munich, Iran's foreign minister told the delegates that his country, which just hanged two of its citizens for protesting in the streets, is the most democratic in its region. That assertion, according to participants in the Munich conference, produced a surprisingly unified reproach from the assembled foreign leaders.

One sign of that unified reaction came Monday, when the U.S. and the European Union released a joint statement calling on Iran "to end its abuses against its own people [and] to hold accountable those who have committed the abuses."

So that is the backdrop. The week's first test is for Mr. Ahmadinejad and his government, which will have to decide how hard to bring down their iron fist against the "green movement" protesters when they take to the streets demanding change.

The Iranian government, even while occasionally seeking to sound reasonable in its messages to the rest of the world about its nuclear program, seems less and less concerned what outsiders think of how it cracks down on internal opposition.

In addition to the recent hanging of two protesters, for example, Iran said over the weekend that it had arrested

seven people, including two it claimed were working for the Central Intelligence Agency, and accused them of planning unrest on Feb. 11.

The message seems clear: Iran's leaders don't intend to be tolerant this week. The odds are good for messy scenes in the streets of Tehran.

That would lead to the second test, of international unity in dealing with Iran. An American-led move at the United Nations Security Council to impose new sanctions on Iran is coming soon. While the drive for sanctions is nominally in response to Iranian intransigence to demands that it freeze its nuclear program, Iran's tactics in handling internal opposition undoubtedly will affect the climate.

The international alignment is becoming clear. The U.S. and its European allies are solidly behind new sanctions, Russia remains surprisingly open to them and China, despite some flutters of hope weeks ago, seems dug in against more action. At this crucial juncture, America's ability to persuade China otherwise is limited by an untimely rash of spats with Beijing over arms sales to Taiwan, Internet security and economic policies. The real test on this front, then, is whether U.S. allies can move China.

That leads to the final test—the test of America's Iran policy. President Barack Obama and his aides are trying to remain true, at least rhetorically, to his initial policy of openness to dialogue with Iran's Islamic regime. They calculate, correctly, that willingness to engage has, if nothing else, served to keep European allies aligned behind the U.S.

But increasingly the American policy is dominated by the search for sanctions. After this week, it's possible the conversation may be colored by the questions of whether and how the U.S. might productively show support for the opposition, and whether sanctions should be structured in a way that helps regime foes.

On that front, a lot has changed since Mr. Obama took office a year ago. It's now obvious to all that there is a meaningful opposition movement in Iran where there once was none. And that has opened the way for a new way of thinking about economic sanctions on Iran.

Before, the accepted wisdom was that sanctions should be structured to hurt Iran's leaders but not its people, lest economic pain compel the populace to rally around the regime. Now there's a distinct possibility that sanctions with a broad impact on Iran's economy will compel an already grumbling populace not to rally behind their leaders, but to grow more angry at them.

At a minimum, some Iranian opposition figures call for sanctions structured to hit hard at Iran's Revolutionary Guards, who make up Mr. Ahmadinejad's iron fist. Thus, two strands of policy—stopping the nuclear program and showing sympathy for the opposition—just might intertwine.



U.S. NEWS

# All accounted for in fatal plant blast

*Falling debris and high winds hinder search and recovery after explosion at Connecticut facility that killed five*

By MARK PETERS

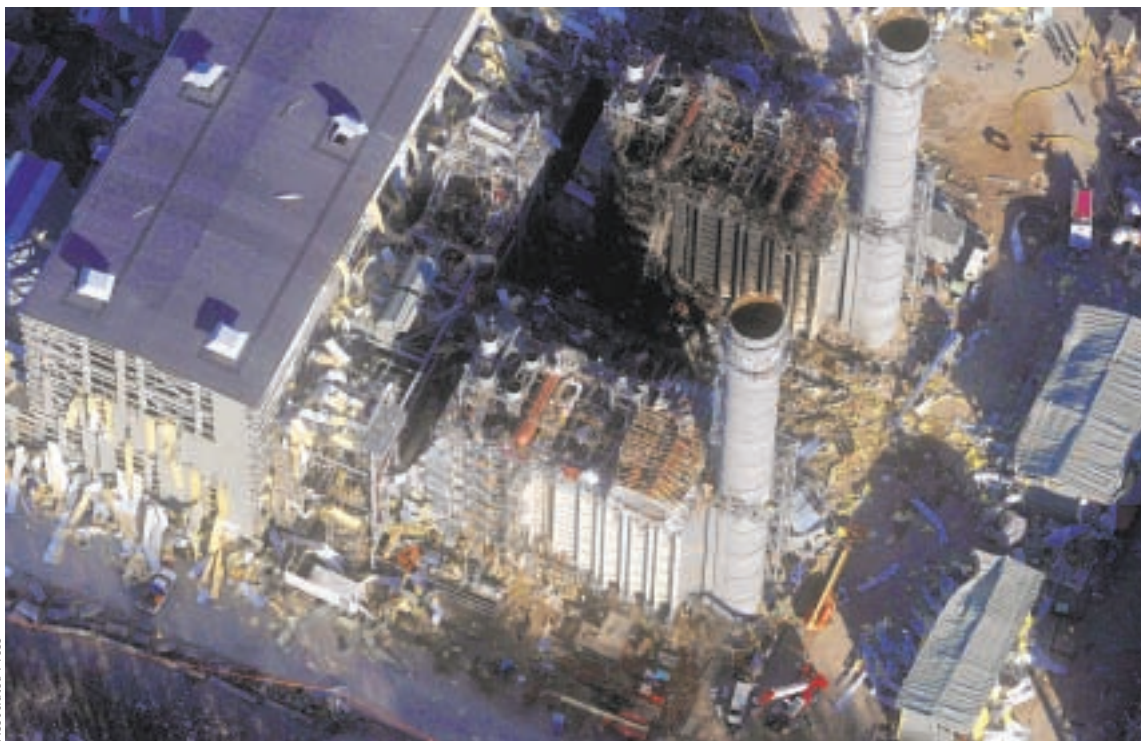
MIDDLETOWN, Conn.—All workers at a natural gas-power plant here that was rocked by an explosion Sunday have been accounted for, the Middletown Office of the Mayor said Monday.

The written statement from Mayor Sebastian N. Giuliano's office didn't provide an updated casualty count. Earlier Monday, Deputy Fire Marshal Al Santostefano said the death count of five people hasn't risen since Sunday.

The cause of the incident, which hit a Kleen Energy Systems LLC plant under construction in a sparse industrial area here Sunday morning, remained uncertain. The U.S. Chemical Safety Board, a federal agency charged with investigating serious chemical accidents, said Monday it was sending a seven-person team to investigate.

A state official said Sunday that the gas explosion was caused by a "flame device" that a victim's son had been told was a propane heater. Federal safety officials said Sunday they were trying to determine if the Middletown explosion was related to previous accidents around the country in which plant operators attempted to remove existing gas from the pipelines, a process called purging.

On Feb. 4, the Chemical Safety Board issued what it called "urgent"



The power plant along the Connecticut River after an explosion on Sunday. The cause of the blast remains unclear.

safety recommendations on natural-gas codes on purging. The recommendations stemmed from an investigation into an explosion at a Con-Agra Foods Inc. Slim Jim plant in Garner, N.C., which killed four people and injured 67 in June 2009.

Mr. Santostefano said Sunday

that workers were "blowing down gas in the pipes," by which he meant that they were purging.

Officials suspended their search and rescue efforts at the plant around 2:30 a.m. Monday, as a portion of the structure was deemed too unstable to continue the work,

Mr. Santostefano said.

Mr. Giuliano, the mayor, said in the statement that recovery efforts hadn't resumed at the plant due to unsafe conditions. Falling debris is a concern for investigators, with wind gusts on the site in excess of 25 miles per hour, according to the

statement.

Union officials speaking near the site of the explosion said they didn't know of any previous safety concerns at the nearly \$1 billion plant, adding the people working Sunday were professionals with safety training. They had no information on the cause of the incident and declined to release information on the deceased.

Charles Appleby Jr., business manager for the local chapter of the New England Regional Council of Carpenters union, said seven members of the union injured in the explosion have been discharged from the hospital. Only one remains in the hospital with non-life-threatening injuries.

"It is tragic; families are hurting," said Michael Rosario, business representative for the Plumbers and Pipefitters Union, Local 777, who rushed over to the site after hearing the explosion, crediting some of the workers with saving people in the chaos following the explosion.

Mr. Santostefano said it was unclear how devastating the damage would be to the future of the plant, majority-owned by Energy Investors Funds, a private-equity group.

Chemical Safety Board spokesman Daniel Horowitz said the agency hasn't determined the cause of the blast, but is investigating gas purging as "a very significant concern."

## Jackson's doctor charged

Associated Press

LOS ANGELES—Michael Jackson's doctor was charged Monday with involuntary manslaughter, capping an exhaustive investigation into the pop star's death last summer and setting up the prospect of another sensational celebrity courtroom drama.

Conrad Murray, a cardiologist who was with Mr. Jackson when he died June 25 at his rented Los Angeles mansion, was accused of acting "unlawfully and without malice" in bringing about Mr. Jackson's death, according to a complaint filed by prosecutors.

The complaint said Dr. Murray acted "without the caution and circumspection required" when he administered a powerful sedative to Mr. Jackson in an effort to help him sleep.

The charge was expected, and Dr. Murray's attorney, Ed Chernoff, said his client planned to surrender to authorities later Monday.

"We'll make bail, we'll plead not guilty, and we'll fight like hell," Mr. Chernoff said before the charge was filed.

Mr. Jackson hired Dr. Murray to be his personal physician as he prepared for a series of strenuous comeback concerts in London. Officials said the singer died after Dr. Murray administered the powerful general anesthetic propofol and two other sedatives to get the chronic insomniac to sleep.

Los Angeles investigators were methodical in building a case against Dr. Murray, wary of repeating missteps that have plagued some other high-profile celebrity cases, most notably those of O.J.



Conrad Murray, in Nevada in November, planned to surrender Monday.

Simpson and actor Robert Blake, both of whom were acquitted of murder.

After reviewing toxicology findings, the coroner ruled Mr. Jackson's death at age 50 a homicide caused by acute intoxication with propofol, with other sedatives a contributing factor.

Propofol is only supposed to be administered by an anesthesia professional in a medical setting, because it depresses breathing and heart rate, while lowering blood pressure.

Dr. Murray appears to have obtained the drug legally, and its use is not in itself a crime.

To show the doctor was negligent in his care, detectives spoke to more than 10 medical experts to see if his behavior fell outside the bounds of reasonable medical practice.

According to court documents, Dr. Murray told police he administered propofol just before 11 a.m. then stepped out of the room to go to the bathroom.

There is some dispute about what happened next. According to court filings, Dr. Murray told police that upon his return from the bathroom, he saw Mr. Jackson was not breathing and began trying to revive him.

But an ambulance was not called until 12:21 p.m., and Dr. Murray spent much of the intervening time making nonemergency cellphone calls, police said. The nature of the calls, which lasted 47 minutes, was not known.

Dr. Murray's lawyer has said investigators got confused about what Dr. Murray had told them, and that the doctor found his patient unresponsive around noon.

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## WORLD NEWS



Associated Press

Chinese authorities inspect milk powder on sale at a supermarket in Anhui province on Friday. Despite government efforts to reassure consumers that they are safe from contaminated food, gaps remain.

# China hunts for tainted milk powder

*In bid to prevent another fatal contamination, officials seek nearly 100 tons of products tainted with melamine*

By GORDON FAIRCLOUGH

SHANGHAI—Chinese authorities say they are trying to track down nearly 100 tons of milk powder tainted with the industrial chemical melamine as the government struggles to prevent a recurrence of the large-scale milk contamination that killed six children and sickened about 300,000 others in 2008.

The hunt for the adulterated milk powder, distributed by a dairy company in the northern region of Ningxia, follows reports of other batches of melamine-tainted products across the country in recent

months. The government last week started emergency inspections to get contaminated goods off store shelves.

China's problems with melamine contamination—more than a year after the toxic chemical was discovered to be widespread in baby formula and other dairy products—highlight shortcomings in government efforts to ensure the safety of the nation's food supply, despite stricter regulations.

Since the extent of melamine adulteration became apparent in 2008, the central government has fought to reassure consumers that it

can protect them. Courts imposed severe penalties on people involved: Two were executed in November. The scandal also helped to speed up passage of a comprehensive new food-safety law last year.

But gaps remain—and are apparently being exploited by unscrupulous businesspeople, according to local authorities. In some cases, local police say they believe the melamine-laced milk powder they discovered was recalled after it was found to be contaminated in 2008 and then repackaged and sold again.

Dairy farmers and milk traders started adding melamine-laced pow-

der to raw milk in an effort to fool dairy-company quality checks. Melamine, which is high in nitrogen, mimics the presence of protein in some lab tests. In high-enough quantities it can cause serious kidney problems in people.

In the latest case, officials said they seized more than 60 tons of contaminated milk powder in Ningxia, according to the state-run Xinhua news agency. An additional nearly 100 tons had been sold by Ningxia Tiantian Dairy Co. to factories in neighboring Inner Mongolia and the southern provinces of Guangdong and Fujian, according to

state-media reports.

How far the melamine-laced powder from Ningxia spreads through the food chain will depend on recall efforts as well as on how it is used. Milk powder can be used as a raw material in baked goods and candy as well as in baby formula and other dairy-based products.

The 10-day emergency inspection program is due to end Wednesday, before the Lunar New Year celebrations, which kick off this weekend. It is unclear if the program will be extended.

—Bai Lin

contributed to this article.

# China heralds bust of major hacker ring

By JAMES T. AREDDY

SHANGHAI—China heralded a major bust of computer hackers, with state media saying officials had shut what they called the country's largest distributor of tools used in malicious Internet attacks.

Three people were arrested on suspicion of making hacking tools available online, the state-run Xinhua news agency said Monday. Their business, known as Black Hawk Safety Net, operated through the now-shuttered Web site 3800cc.com and generated around \$1 million in

income from its over 12,000 subscribers, the report said.

The arrests took place in late November as part of a police investigation that spanned three Chinese provinces and resulted in part from Black Hawk's role in domestic cyberattacks, according to Xinhua.

The delay in announcing the case wasn't explained, but it isn't unusual for Chinese authorities to wait months to make such legal moves public.

U.S. cybersecurity specialists said China was seeking to make a public statement in the wake of Google

Inc.'s allegations last month that hackers from China were behind sophisticated attacks against the Internet search giant and a number of other foreign companies. U.S. Secretary of State Hillary Clinton also raised concerns about hacking from China.

China was seeking to say, "we care about keeping the Internet free of criminals and we are doing our part," said Alan Paller, director of research at the SANS Institute, a cybersecurity research group. "Sadly, the tack they took is just a whack-a-mole exercise," he added, saying that other hackers will take their

place.

China in recent weeks has waged an aggressive public-relations campaign on the issue of hacking, apparently at least in part aimed at discrediting Google's allegations. China's state media called Mrs. Clinton's comments hypocritical, in part because the U.S. is a center of many hacking activities.

Beijing has already made strides against pornography and gambling on Chinese Web sites. The percentage of the globe's malicious software that is hosted in China has also fallen sharply in recent years. ac-

ording to U.K.-based cybersecurity Sophos PLC, a possible indication of what Beijing says is its intolerance of illegal hacking.

State-media reports described Black Hawk as offering hacking "training," which is a euphemism for selling malicious software. Xinhua said the site helped to disseminate a computer virus in 2007 that wreaked havoc on private and government computers in the city of Macheng, in the central province of Hubei.

—Siobhan Gorman in Washington  
contributed to this article.