How secretive trading activities nearly destroyed Wall Street

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GM names Ed Whitacre as its permanent CEO

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Agence France-Presse/Getty Image

Smoke rises hundreds of meters following an explosion in the area near Baghdad's Palestine Hotel

Debt sale refills Greece's coffers at a steep price

By Emese Bartha
And Michael Wilson

LONDON—The Greek government enjoyed a much-needed boost Monday as investors piled into its new €8 billion ($11 billion) issue of syndicated bonds. But while getting some cash in the bank is the top priority, Greece is paying a chunky premium to ensure success.

The five-year syndicated bonds flew off the shelf, registering more than €25 billion of orders in about three hours. The huge demand bodes well for the fiscally challenged nation and suggests that Greece should have enough cash to repay debt maturing until the start of April.

It also marks a show of strength from the Greek authorities. The bonds could have been sold privately, but officials chose to risk exposure to international markets.

"There was a lot of interest and we will issue €8 billion of the five-year bond with a final price of [3.5 percentage points] over swaps," said Spyros Papanikolaou, head of Greece's debt agency. "It was one of the largest order books ever with orders reaching about €25 billion."

Monday's deal may have bought Greece some time, but figures compiled by Goldman Sachs show the Greek government still has to cover an estimated €54 billion borrowing program in 2010, down from €66 billion in 2009.

The premium Greece paid to sell the bonds also was considerably above levels paid in the past. Initial price guidance on the deal came in the area of 3.75 percentage points over the risk-free benchmark mid-swaps rate.

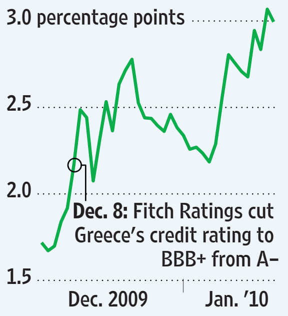
However, the high demand for the bonds allowed lead managers on the deal to cut the premium on offer to 3.5 percentage points, or an interest rate of 6.2%.

That is still a substantial premium compared with the 2.25 percentage points over mid-swaps that Greece paid to sell a five-year deal in March.

—Mark Brown and Katie Martin contributed to this article.

A tale of risk

Spread between 10-year Greek government bond and 10-year German bond



Source: Thomson Reuters

Bombings in Baghdad kill 36

By Ben Lando
And Chip Cummins

BAGHDAD—A series of bombings targeting three hotels rocked Iraq's capital Monday afternoon, in the latest large-scale attacks ahead of parliamentary elections.

The Ministry of Interior said late Monday evening that 36 people were killed and 71 injured. The death toll could climb as rescue operations continued into the night.

The first of the blasts detonated around 3:30 p.m., and two subsequent attacks followed during the next half hour. They shook a large swath of central Baghdad bordering the Tigris River.

Monday's attacks are the latest in a series of coordinated bombings that have rattled the city ahead of March elections. Blasts in August, October and December targeting high-profile institutions, including prominent government ministries and offices, have killed hundreds.

The attacks have shaken Iraq's security services and the government of Prime Minister Nouri al-Maliki, who had made security improvements a centerpiece of his campaign for a slate of candidates he leads, seeking seats in parliament.

The elections have been blighted by controversy.

First, a protracted squabble in parliament about the details of an election law delayed the voting from January to March. Then, a government committee announced this month the disqualification of more than 500 candidates, accusing them of connections to Saddam Hussein's Baath Party.

The candidate purge triggered accusations from Sunni politicians that Mr. Maliki's Shiite-dominated government and other Shiite parties were attempting to disqualify heavyweight competitors of Mr. Maliki's slate.

The government has denied the allegations, and the committee has said it was only following the law in banning the candidates.

Amid the outcry over the disqualifications, Iraqi President Jalal Talabani has said he would ask the country's judiciary to verify the authority of the panel.

Monday's bombings followed a weekend visit by U.S. Vice President Joseph Biden, who flew to Baghdad amid growing American concern over the election disqualifications and the uproar they were causing.

Shortly after the hotel attacks, the government announced the execution of Saddam Hussein's cousin, Ali Hassan al-Majid. Mr. Majid, known as "Chemical Ali," was

Please turn to page 10

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Effecting change must be Davos goal

[Agenda]

By Patience Wheatcroft

"There is now such creativity of new and very sophisticated financial instruments...that we don't know fully where the risks are located. We are trying to understand what is going on, but it is a big, big challenge."

Those were the words of Jean-Claude Trichet, president of the European Central Bank, speaking in January 2007.

At the same gathering, U.S. economist Nouriel Roubini was adamant that: "Markets are underestimating the risk of a hard landing and global recession." He went so far as to point to the failings in the subprime lending market as "the beginnings of a banking crisis."

Yet these voices melted into the snow at Davos three years ago. When the deliberations of the World Economic Forum 2007 came to be summed up, it was the optimists who triumphed. The preface to the report on the year's proceedings remarked on the "Positive sentiment about the vibrant global economy and the prospects for continued growth." The overriding belief was that the U.S., and thus the world, were enjoying a "Goldilocks economy": not too hot and not too cold.

As Goldilocks herself found out, the wolf was about to spoil her perfect porridge. It wasn't long after the delegates had departed from the Swiss ski resort that the world economy began to implode.

This year, as they pack their snowboots and prepare to head to the 40th annual meeting of the WEF, delegates should be wary of including rose-tinted spectacles in their luggage. But there is reason to hope that, by the time the session winds up on Sunday, something positive may emerge.

The theme for this year's event is "Improve the State of the World: Rethink, Redesign, Rebuild." That is a tough demand to accomplish in less than a week, even with a team of 2,500. But the 2,500 who attend Davos include very many individuals who have the power to effect change. There can be no doubt, as they survey the wreckage around the world, that change is required.

European Pressphoto Agency

Jean-Claude Trichet had reason to be suspicious at the 2007 Davos gathering

Delegates should be wary of including rose-tinted spectacles in their luggage

Most immediately, that is in Haiti, and the agenda for the meeting has been amended to include special sessions on that desperate country. It will be a measure of what Davos can achieve if there are soon tangible results from those deliberations to be seen emerging from the rubble. Even without an earthquake, Haiti was in dire need of investment. The aid is flowing in now, but the test for the executives from the world's major companies is whether they can provide ways of helping the Haitians to help themselves.

One of the tests for the many politicians who find their way to Davos will be whether they are able to make progress on encouraging world trade. The World Trade Organization's Doha Round hasn't been so much a round, which implies something finite and joined up, as a painfully extended circumlocution, its beginnings lost in history—well, 2001 to be exact—and its destination increasingly forgotten. It has stalled so often that any mechanic might have concluded the engine was dead.

Yet the importance of lowering artificial barriers and increasing global trade should be enough to overcome disagreements over agricultural policy and the differences that have repeatedly divided rich and poor nations. Last year world leaders set themselves the aim of concluding Doha sometime this year. Davos, with its plentiful scope for leaders to huddle in private and negotiate ways around problems, might just be the place where a common resolve to secure agreement could be found.

Even allowing for its difficult history, however, securing agreement over global trade may look simple compared with sorting out a unified way to deal with the world's financial institutions. But there can be little doubt that, despite the other problems in its sight, the World Economic Forum will be dominated by talk of finance. Messrs. Trichet and Roubini having been proved to be more perspicacious than most of their colleagues three years ago, there will now be no shortage of delegates prepared to criticize the bankers who created the financial instruments that made Mr. Trichet so suspicious and contributed so much to bringing about the financial crisis that Mr. Roubini foresaw.

The abuse now piled upon the banking business hasn't, however, deterred many of its big players from making the trip to Davos. Some will be there with the clear aim of lobbying hard against the measures promised by President Barack Obama. A few will be there in a spirit of contrition. That might be the wiser attitude to take, for neither many of the politicians nor the corporate chiefs will be minded to be sympathetic to the predicament in which the banks now find themselves. The politicians face the problems of dealing with the economic ravages now wreaked on many of their economies, although many have themselves contributed to the deficits they must now manage: It wasn't only the bankers who gambled on the good times continuing unabated.

The corporate chiefs must also suffer the problems of running businesses in depressed economies while still, in their view, being charged inexcusably high fees by the banks.

It is to be hoped that the clear air of the Alps might help these groups to debate sensibly how best the financial markets might be structured to provide a degree of insurance against a repeat of the recent disaster. There are other forums where the future shape of banking is being discussed and, except among some bankers, there is an acceptance that change is essential. But, like the Doha round, the deliberations of the G-20 could take a very long time to bear fruit.

While other countries say that they can't move unilaterally, President Obama has decided that someone has to move first. His proposals aren't perfect. The challenge for Davos should be to produce a better blueprint.

What's News

■ **The political winds** appear to be shifting in U.S. Fed Chairman Ben Bernanke's favor, as the White House escalated efforts to win the 60 Senate votes needed to confirm him for a second term and Republican and Democratic leaders predicted those efforts would succeed. 8

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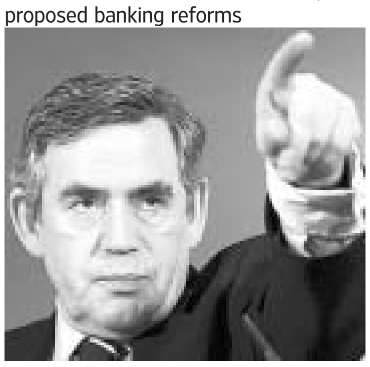
Iain Martin on Politics

blogs.wsj.com/iainmartin

"What there is here is a mess created by a serious breakdown in global policy making."

Iain Martin on confusion caused by proposed banking reforms



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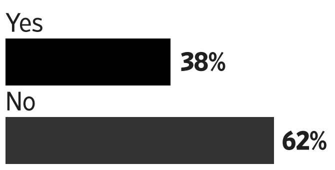
Q: Do you think Bernanke should get a second term as Federal Reserve chief?



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NEWS

A fashion statement

Vogue's Anna Wintour urges France to do more for the industry

By Christina Passariello

PARIS—In between fashion shows Monday, Anna Wintour, the influential editor-in-chief of Vogue magazine, told French officials that the country doesn't do enough to support its fashion sector, industry minister Christian Estrosi said.

Ms. Wintour encouraged the French government to provide more backing for young designers, according to Mr. Estrosi.

"She's right" that France falls short in backing its fashion industry, Mr. Estrosi said during a news conference at which Ms. Wintour rescinded her presence. "Everyone knows the role Anna plays in making New York a great fashion capital. My objective was to benefit from her experience."

Fearing France's pre-eminence in fashion may be dwindling, the government was already taking steps to protect the industry, which employs 125,000 people in the country. Mr. Estrosi said state-owned banks and investment funds will soon offer streamlined financing for start-up fashion businesses.

A new master's degree is in the works to help French students better compete with peers who attend schools such as London's Central St. Martins College of Art & Design. And Mr. Estrosi said he had pledged to Ms. Wintour to relax the country's 35-hour work week for fashion-house employees who need to work twice that amount in the weeks before fashion shows. The half-hour meeting took place at Ms. Wintour's request. She was accompanied by Hamish Bowles, Vogue's European editor, and French Vogue Editor-in-Chief Carine Roitfeld.

Through Vogue, Ms. Wintour has launched several initiatives to prop up the American fashion industry. Last fall, she enlisted the help of New York Mayor Michael Bloomberg in organizing Fashion's Night Out, a one-night shopping gala to help retailers. In 2003, she co-founded a competition for young designers, the CFDA/Vogue Fashion Fund. Last year's winner, Sophie Theallet, pocketed $200,000 and a year's worth of mentoring from a major designer.

The outside call for more state intervention is rare for France, which usually has to deal with criticism for meddling in private business. This month, President Nicolas Sarkozy summoned the chief executive of car maker **Renault** to dissuade him from moving some of its production to Turkey; Renault's chief executive conceded. In 2004, France bailed out engineering giant **Alstom** SA, prompting a rebuke from the European Commission.

Yet Christian Lacroix shut down late last year after no buyers were found for the bankrupt business. He is the latest designer to drop off the list of couture fashion houses, which are showing their collections in Paris through Wednesday.

"Anna adored Lacroix and is very sad about" his absence, said Elisabeth Quin, Mr. Estrosi's adviser on the fashion industry.

Reuters

France's industry minister, Christian Estrosi, left, and Anna Wintour on Monday

Reuters (left); European Pressphoto Agency (right)

U.K. Prime Minister Gordon Brown, left, said Monday that cutting government spending in 2010 would undermine a recovery, prompting opposition leader David Cameron, right, to say Britain could face a Greece-like debt crisis unless action is taken. The politicians are preparing for an election that must be held by June 3.

U.K. upturn has unsure base

By Neil Shah

Britain's economy probably emerged from its worst recession in decades late last year. But that doesn't mean it is ready to grow in a sustainable way.

The U.K.'s Office for National Statistics releases its preliminary reading of fourth-quarter 2009 gross domestic product on Tuesday. Economists generally expect the U.K. economy to have grown about 0.3% or 0.4% compared with the previous quarter, after six consecutive periods of contraction.

That is welcome news: For months, the U.K.'s economic recovery has lagged behind that of the U.S., Japan, and even France and Germany, which exited their recessions in the middle of last year.

But it is too early to celebrate: The U.K.'s recent growth spurt may be the result of super-low benchmark interest rates, heavy U.K. government spending and a continued slowing in the pace at which companies are paring inventories. That isn't exactly a recipe for sustainable, long-term economic growth.

Such drivers "tend to last for one or two quarters, rather than give you a lasting boost," says Simon Hayes, U.K. economist at Barclays Capital in London. "What you really want to see is increases in consumption, investment and exports."

Mr. Hayes expects the U.K. economy to grow by 1.8% this year.

Unfortunately, the latest readings of U.K. consumer spending and business investment won't impact Tuesday's preliminary data, which focus on supply-side factors like manufacturing and services.

While such sectors have cheered analysts lately, other readings have raised alarms about the strength of domestic demand.

British retail-sales data for December slumped unexpectedly, and the fact that U.K. consumers are among the most indebted in the world doesn't bode well in general for consumer spending, which represents about 65% of U.K. economic output. (Consumers have, however, been fairly resilient thus far.)

Making things worse, Prime Minister Gordon Brown's governing Labour Party is likely to call an election before June; both Labour and the opposition Conservatives are expected to push significant spending cuts and tax increases that could further crimp the U.K. economy, though Mr. Brown is talking about putting the economy first. Growing concerns about inflation, meanwhile, could force the Bank of England to start raising interest rates from record lows, which would make borrowing more expensive.

A key wild card this year will be British exports. Some observers, such as **Goldman Sachs**, are pointing to the roughly 25% drop in the value of the British pound in recent years, saying this could help fire up British exports. A cheaper currency makes a country's exports easier to sell in the global marketplace. Goldman forecasts 1.9% of economic growth for the U.K. this year.

But others are skeptical. The pound has been relatively weak, and economists have yet to see a surge in exports juicing the U.K. recovery.

One reason, Mr. Hayes says, is that many U.K. companies aren't taking advantage of a weaker sterling by cutting prices in the U.S. and Europe.

And while imports are getting more expensive as sterling falls, they are still being snapped up by U.K. consumers. Some 40% of U.K. consumer goods are imported, Mr. Hayes says—limiting the benefits of sterling's fall in value.

"Serious doubts remain about the strength and sustainability of the U.K.'s economic recovery," says Howard Archer, chief U.K. and European economist at IHS Global Insight, in a note on Monday. "Indeed, for many people, it may not feel like recovery for some time to come."

BOE likely to praise Obama plan

By Natasha Brereton

LONDON—The Bank of England is likely Tuesday to welcome the fresh impetus that U.S. plans to place limits on the size and activities of commercial banks will give to global efforts to prevent taxpayer bailouts of financial institutions.

Senior BOE officials, who will testify before U.K. lawmakers, may not agree with the precise detail of the U.S. plans. But they will probably support the added urgency the U.S. moves give to global efforts to prevent institutions from becoming too important to fail.

As in the U.S., the cost to U.K. taxpayers of bailing out the nation's banks has been high, and the central bank believes it can't be repeated. Financial stocks recovered somewhat Monday after tumbling last week, as investors took fright that global governments could follow the U.S. lead, placing tougher restrictions on the ways that banks are allowed to invest and putting a burden on their profitability.

Bank of England Gov. Mervyn King has been blunt in his view that more and stricter regulation may not suffice to curb banking risks, and called late last year for a serious review of the structure of the banking sector that could see the separation of banks' deposit-taking and commercial-bank functions from their riskier activities.

"I would think that proposals of this kind would be congenial to the Bank," said Richard Portes, professor of economics at London Business School. "The Bank of England has some record of thinking more radically—whether rightly or wrongly—but it's not afraid to consider these issues."

The BOE officials will be testifying on the issue of how to prevent banks from becoming too important to fail, and are likely to take the view that U.S. President Barack Obama's proposals mark a step in the right direction in keeping a tighter rein on the banking industry.

Mr. Obama's plan would prevent commercial banks and institutions that own banks from owning and investing in hedge funds and private-equity firms, and limit the trading they do for their own accounts. It would also seek to curb the size of any one financial firm in relation to the entire sector by updating the current 10% cap on the share of insured deposits.

The BOE governor will be joined by Deputy Governor for Financial Stability Paul Tucker and Executive Director for Financial Stability Andy Haldane in appearing before the Treasury Committee on Tuesday. They will discuss how the authorities can prevent large sums of taxpayer money being used to bail out the banking sector in any future crisis.

That discussion comes amid international efforts to find a solution to the problem of systemically important financial institutions. Cross-border crisis-management groups, set up by the Financial Stability Board, are in the process of meeting for each of the roughly 25 most complex, large banks, and are tasked with developing recovery and resolution plans to deal with them if they get into trouble.

The Financial Stability Board on Saturday welcomed the U.S. proposals, saying they fell among the options it is considering to address banks' moral-hazard risks. But some business leaders have criticized what they describe as a populist move, which they say could undermine a coordinated global approach.

For now, the job of regulating financial institutions lies with the Financial Services Authority. But the opposition Conservative Party, which is ahead in opinion polls, plans to give regulatory powers back to the BOE, so the central bank's opinion on the issue matters.

The Conservatives also welcomed the U.S. plans.

"I think what Obama has done is very important," Conservative leader David Cameron told reporters Monday. He said the move didn't mark a return to Glass-Steagall—the 1933 U.S. act that separated commercial banks from investment banks—but highlighted the need to limit risky trading by retail banks and to deal with too-big-to-fail institutions.

Bill Gates flags economic blow to foreign aid

By Robert A. Guth

Bill Gates, in an open letter Monday, called on governments around the world to boost foreign aid budgets even as they grapple with the effects of the global recession.

In an annual letter outlining the work of his philanthropy, the Bill & Melinda Gates Foundation, the **Microsoft** Corp. cofounder acknowledged that government budget deficits and debt create "significant risk that aid budgets will either be cut or not increase much."

Bill Gates

The threat is exacerbated by the competing priority of global warming, which is expected to tap more public money from nations over the next decade. "I am concerned that some of this money will come from reducing other categories of foreign aid, especially health," he wrote.

The note is the second annual letter from Mr. Gates, who in 2008 left full-time work at Microsoft to focus on his philanthropy, the world's largest private foundation, with an endowment of $34 billion. The letter is modeled after the letter to shareholders penned each year by Warren Buffett, Mr. Gates's close friend and head of **Berkshire Hathaway** Inc.

Mr. Gates's note reflects the broader impact of the recession on the business of global development and disease-fighting. The global recession hit just as a host of governments, nonprofits, aid organizations and donors kicked off ambitious efforts to advance living standards in developing countries and fight diseases such as malaria and rotavirus, a cause of severe diarrhea that kills children.

Margaret Chan of the WHO said funding to sustain progress in global health programs is "precarious."

But pressures on federal budgets and a drop in private funding is threatening that work. Last week, Margaret Chan, director-general of the World Health Organization, told an assembly of health officials that funding to sustain progress in global health programs is "precarious."

In his letter, Mr. Gates wrote that although the "acute financial crisis is over, the economy is still weak and the world will spend a lot of years undoing the damage."

Mr. Gates's 17-page note reviewed his foundation's work in 2009, highlighting developments in vaccines—the foundation's largest area of giving—education and agriculture in developing countries.

Mr. Gates broke down major countries' aid as a percentage of their gross domestic product, noting that by that measure, the world's most generous countries include Denmark, the Netherlands, Norway, Sweden, and Luxembourg, which give between 0.72% and 1% of GDP to foreign aid. Others, however, are falling short, he said, pointing to drops in aid from France and Japan.

DAVOS 2010: WORLD ECONOMIC FORUM

Bankers quietly return after skipping last year

By Deborah Ball

Bankers' reputations may be at an all-time low, but top financial officials are turning out in force at this year's World Economic Forum meeting in Davos, Switzerland, calculating that the business opportunities to rub shoulders with industry CEOs, regulators and world leaders outweigh any public-relations flak for attending an elite jamboree in a Swiss ski resort.

Last year, at the height of the financial crisis, many prominent bankers decided against making the trekto Davos. But next week, most of the biggest banks will be represented. Two no-shows from last year, Robert E. Diamond, president of **Barclays** PLC, and Vikram Pandit, chief executive of **Citigroup** Inc., will both be there. **Goldman Sachs Group** Inc. is sending five top executives, led by Chief Operating Officer Gary Cohn.

Bank of America Corp. sent none of its top executives last year. This year, new CEO Brian Moynihan, who has made statements expressing remorse for the financial crisis since his elevation in December, will use the opportunity to make his first overseas trip in the post. **Morgan Stanley** Chairman John Mack and Josef Ackermann, chairman of **Deutsche Bank** AG, will attend. One prominent no-show: **JP Morgan Chase** & Co. Chief Executive James Dimon.

By one measure, the timing could hardly be worse, coming just as major banks and securities firms announce 2009 bonuses. Public wrath is running as high as ever, with everyone from President Barack Obama to tabloid editors taking aim at bank executives. Worse still, Davos and the bonus season come amid blanket coverage of the catastrophe in Haiti. "It's a double-edged sword," says Leslie Gaines-Ross, chief reputation strategist for PR firm **Weber Shandwick**. "Davos represents a serious forum and they should be part of it. But to Main Street, it's the Alps versus Haiti right now."

The banks' representatives stress that Davos is a sterling opportunity for their executives to meet with clients, regulators and politicians. About 30 presidents and prime ministers are expected to attend, as well as a slate of central bankers.

For the biggest banks, the list of clients at Davos can run well over a hundred, and no-shows risk seeing rival bankers cozy up to their best contacts.

At the same time, the panels offer executives a chance to get their message out to the roughly 500 journalists from around the world in attendance. Messrs. Ackermann, Diamond and Cohn will appear on panels dealing with compensation, risk management and rethinking the banking sector. "If the story line at the moment is executive compensation, this is the chance to get out and say 'This is our rationale,'" says Richard Edelman, president of PR firm **Edelman**. "You have to get out there and sell your story."

PR experts advise the bankers to tread carefully at Davos, to avoid any glitzy photos ending up in the press. Bank officials say client dinners and cocktail parties will be deliberately low-key this year. Some executives are also participating in the social forums organized at Davos; Goldman's head of corporate engagement will appear at a forum on rural poverty, for instance.

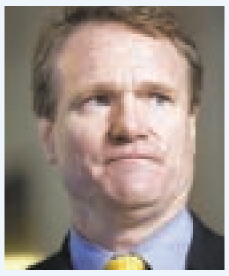
"They don't want be seen skiing or with a drink in their hand," says Ms. Gaines-Ross. "They should fly commercial and double or triple up in cars."

Barclays' bankers are flying commercial, a company representative says. Mr. Pandit will take Citigroup's corporate jet because he has to fly to a number of other international meetings, says a company spokeswoman. BofA said its executives will use a corporate jet because they are making a number of stops in Europe, including London. Representatives at Goldman and J.P. Morgan declined to comment on their executives' mode of travel.

—Dan Fitzpatrick and Stephen Fidler contributed to this article.

Back to business

Some top banking executives didn't attend last year's World Economic Forum in Davos, Switzerland, but plan to attend this year:



Bloomberg News

Bank of America CEO Brian Moynihan

None of BofA's top executives attended in 2009, as the bank grappled with fallout from buying Merrill Lynch. New CEO Mr. Moynihan sees Davos as an opportunity to meet with regulators and clients.

European Pressphoto Agency

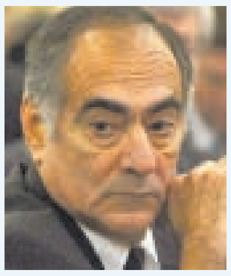
Barclays President Robert E. Diamond

Mr. Diamond pulled out of Davos at the last minute last year when the bank sped up the reporting of its 2008 results to counter a steep slide in its stock price.

Reuters

Citigroup CEO Vikram Pandit

Citigroup was in the midst of a deep crisis in early 2009, having just announced an \$8 billion fourth-quarter 2008 loss and plans to downsize the battered company.



United Press International

Morgan Stanley Chairman John Mack

Last year, Morgan Stanley was in the midst of completing a joint venture with Citigroup's Smith Barney to create a powerful new brokerage force.

Source: The companies (attendance); WSJ research

EUROPE NEWS

EPA

New Russian ambassador Mikhail Zubarov, left, with Ukrainian Foreign Minister Petro Poroshenko on Monday. Moscow named its envoy to Kiev in August but delayed the posting as it expressed displeasure with President Yushchenko.

Russia ends freeze of Kiev

Kremlin sends envoy, a signal it can work with Yanukovych, Tymoshenko

By Richard Boudreaux

MOSCOW—Russia ended a five-month diplomatic freeze with Ukraine on Monday, demonstrating the Kremlin's relief over President Viktor Yushchenko's failed re-election bid and its willingness to work with either of his successors.

Mikhail Zurabov, whose posting as Russia's ambassador had been delayed since August, arrived in Kiev and handed his credentials to Ukraine's foreign minister. He avoided the lame-duck president, who angered Russian leaders with policies they considered hostile.

Mr. Yushchenko ran far behind the two front-runners in the Jan. 17 election, who will face each other in a run-off next month. Before dispatching the new envoy, Russian President Dmitry Medvedev said last week he expected the Feb. 7 vote to produce "competent and effective authorities...open to the development of constructive, friendly, all-around relations with Russia."

Those relations have been severely strained since Mr. Yushchenko led Ukraine's pro-Western Orange Revolution of 2004.

Now Moscow's improved position is certain to complicate, if not reverse, Ukraine's political and economic integration with the West. It could also ease tensions that periodically led to price wars and halted winter supplies of Russian gas through Ukraine to Europe.

Mr. Medvedev wrote a scathing open letter to Mr. Yushchenko in August, complaining of anti-Russian policies. That was widely interpreted as an appeal to Ukrainian voters to dump him for someone more accommodating.

But it was far less meddlesome than the Kremlin's ill-starred attempt to sway the 2004 vote. Vladimir Putin, then Russia's president, twice visited Ukraine that year to support Viktor Yanukovych's candidacy and rushed to applaud his tainted victory, only to be humiliated when poll results were overturned amid massive street protests against alleged fraud.

The Orange Revolution gave Ukraine a pro-Western government that appeared to stand as a model for other former Soviet republics seeking to distance themselves from Moscow. Mr. Yushchenko angered Russian leaders by seeking Ukrainian membership in NATO, supporting Georgia in its conflict with Moscow and campaigning to classify as genocide a Stalin-era famine that killed millions of Ukrainians.

Infighting among the Orange leaders paralyzed his efforts. Voters disillusioned by a limp economy turned against him.

Russia's moves were seen as an appeal to Ukrainians to dump Mr. Yushchenko.

Moscow's satisfaction with his demise is tempered by a wariness that its influence can go only so far, analysts say. Wary of another backlash, Russian leaders refrained from endorsing any candidate in January's first round of voting, while making it clear they couldn't work with Mr. Yushchenko, The Kremlin instructed Russian television networks to air balanced coverage of the race.

"Russia should be very happy that this strong anti-Russian trend in Ukraine is over," said Sergei Markov, a member of parliament from the ruling United Russia Party who observed the Jan. 17 election. "But I wouldn't call it a feeling of triumph. The mood is more cautious."

With Mr. Yanukovych back from disgrace and running again, the Kremlin cultivated both him and Ukrainian Prime Minister Yulia Tymoshenko, the Orange heroine who later turned against Mr. Yushchenko. She finished second to Mr. Yanukovych earlier this month and will face him in the runoff.

In November, Mr. Putin praised Ms. Tymoshenko's work as prime minister after striking a deal with her on gas prices. Later he denied favoring her candidacy and noted that United Russia is allied with Mr. Yanukovych's Party of Regions.

Both front-runners said they would repair relations with Russia and shelve Mr. Yushchenko's bid to join NATO, even while pursuing closer ties to the European Union; neither is expected to continue the president's campaign on the genocide issue or his effort to restrict use of the Russian language.

"Russia played it subtle and smart," said Steven Pifer, a former U.S. ambassador to Ukraine and now a senior fellow at the Brookings Institution. "No matter who wins in Ukraine, there will be fewer points of tension with Moscow."

Mr. Pifer and other analysts believe, however, that either candidate would resist being drawn into a customs union with Russia at the expense of a trade accord with the EU. Russian partisans of Mr. Yanukovych, including Konstantin Zatulin, a member of parliament from the ruling party, view him as a tough adversary on gas prices and other trade issues.

"Russian-speaking voters in Ukraine like Yanukovych more, which means...more convenient leverage for Russia," Gleb Pavlovsky, a political scientist close to the Kremlin said on the Echo of Moscow radio station. Ms. Tymoshenko, he added, is less predictable, "but she will always find a reason to come to agreements and will always find a price."

Sarkozy promises a rise in French job creation

By David Gauthier-Villars

PARIS—France's President Nicolas Sarkozy went on national television Monday evening to assure French voters that he would maintain the country's generous welfare model and that a pickup in job creation was in sight.

France has come out of recession but is still struggling with rising unemployment, which is eroding Mr. Sarkozy's support levels.

Trying to reassure voters, who will elect regional leaders in March, Mr. Sarkozy followed an interview with a live discussion with a sample of French people picked by a TV station.

Mr. Sarkozy said that he would try to fix the country's state-run pension system, which is suffering as the population ages and recorded an €11 billion ($15.55 billion) deficit in 2009. But he pledged to keep intact the basic model under which employees help pay the pensions of retirees.

"I will not go back on France's pay-as-you-go pension system," Mr. Sarkozy said in an interview with television channel TF1. The president also said he expected unemployment would "start falling in the coming weeks or months."

Halfway through his five-year term, Mr. Sarkozy is seeking to bridge what appears as a growing gap between him and the French public. He was elected in 2007 on the promise that he would take France out of a prolonged economic malaise and cut unemployment in half. But last year's recession and rise in joblessness have lowered his approval ratings. A survey released by polling company LH2 on Monday showed that 42% of the 1,002 respondents approve of Mr. Sarkozy's actions, up from 41% in December but down from 47% in August.

Political analysts say such a low level isn't surprising for the leader of a country where growth is still sluggish and where unemployment rose to 9.5% in the third quarter of 2009, the highest level since he took office.

In fact, several surveys have showed that French people give the president credit for having made timely decisions on bailing out banks and auto makers when the global financial crisis struck.

But analysts point to growing perception among French people that Mr. Sarkozy lacks focus. Opinion polls conducted ahead of Mr. Sarkozy's Monday television appearance indicated the public's top three concerns are jobs, pensions and lack of spending power.

In recent months, however, Mr. Sarkozy has steered public debates away from these issues.

He has asked his minister in charge of immigration to organize town-hall meetings on what it means to be French; a parliamentary committee is about to make recommendations on whether France should ban the niqab, the head-to-toe garment that is worn by some Muslim women and that conceals their faces.

These debates have been punctuated by political controversies, such as Mr. Sarkozy's support for an aborted attempt by his student son, Jean, to obtain a senior administrative position.

"People are wondering what the big picture is," said Adélaïde Zulfikarpasic, a political analyst with LH2. "They feel that there have been a lot of promises, a lot of fidgeting—but few concrete results."

In the northern French city of Dunkirk, for example, retired farmer Gérard Blanchard says he feels short-changed.

Though the city is a traditional Socialist stronghold, a majority of its people voted for Mr. Sarkozy—who will turn 55 on Thursday—in the 2007 presidential elections, he says.

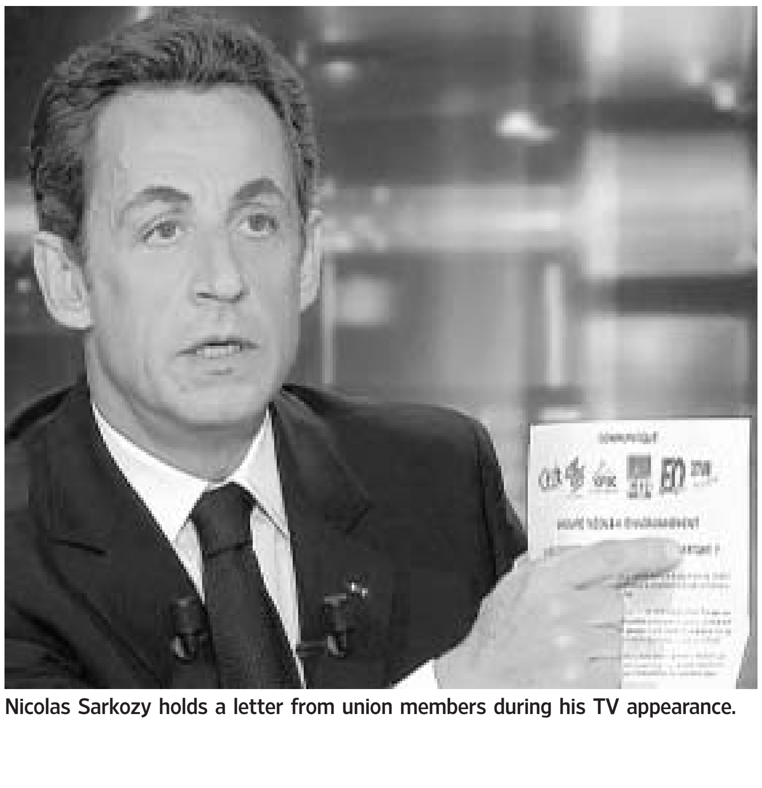
"He looked young and energetic," said Mr. Blanchard, who is also mayor of Mardyck, an industrial city adjacent to Dunkirk.

Recently, Mr. Blanchard learned that French oil group **Total** SA was considering cutting jobs at its Mardyck refinery.

"This niqab debate is not going to help me," he said. "Jobs should be the only priority."

After six months of hearings and debates, the special parliamentary committee on the niqab is expected to recommend that the garment be banned from schools and other public areas. It is still unclear whether the committee aims to include public transport on the list.

Several French Muslim lobbying groups have worked against a legal ban, which they say would discriminate against Muslims in France, home to Europe's largest Muslim population.



Reuters

Nicolas Sarkozy holds a letter from union members during his TV appearance.

U.S. NEWS

Obama toughens tone

White House retools focus toward jobs, beefs up political staff

By Jonathan Weisman

WASHINGTON—Coming off one of the most difficult weeks of his presidency, Barack Obama has beefed up his political staff and is expected to deliver an uncompromising State of the Union address. Aides said the White House wasn't making any abrupt policy shifts, even as the message was retooled to focus more sharply on job creation.

If anything, an unfinished agenda from 2009 will grow larger as, in addition to tackling health care and unemployment, the president presses for a bipartisan commission to tackle the budget deficit against resistance from Republicans.

White House officials said Obama campaign manager David Plouffe would be brought on as a political consultant as the White House gears up for midterm elections. The president's party is facing a stiff headwind from an electorate angry about high unemployment and what they see as ineffectual government, White House officials said. Republican Scott Brown's capture of the Massachusetts Senate seat Tuesday was a first shot in what Democrats worried would be hard-fought contests in November.

"People are working harder," White House senior adviser David Axelrod said Sunday on ABC's "This Week," referring to the economy. "If they have a job, they're working harder for less. They're falling behind. That's been true for a decade. They look at a wave of irresponsibility from Wall Street to Washington that led to that. And those were the frustrations that got the president elected in the first place, and they were reflected again on Tuesday" in the Massachusetts election.

On Monday, Mr. Obama proposed several initiatives to help middle-class families, including an expansion of the child-care-tax credit and a cap on student-loan payments.

Republicans, meanwhile, said their victory in Massachusetts was spurred by opposition to the health overhaul. "The message in Massachusetts was absolutely clear," Senate Minority Leader Mitch McConnell of Kentucky said on NBC's "Meet The Press." "The exit polls that I looked at said 48% of the people in Massachusetts said they voted for the new senator over health care. Only 5% mentioned any other issue. The American people...were sending us the message 'Stop and start over.' "

The re-emergence of Mr. Plouffe took some Democratic officials by surprise, though White House officials said he wouldn't have a title and wouldn't work from the White House. Mr. Axelrod, in emails to The Wall Street Journal, dismissed as "overblown" the speculation that an enhanced role for Mr. Plouffe was a prelude to a shake-up of the political staff or a change of course by the White House. Although Mr. Plouffe will be consulted on political strategy and communications, "he is not coming into the White House. He is not, as some have reported, going to somehow take over the party committees," Mr. Axelrod said.

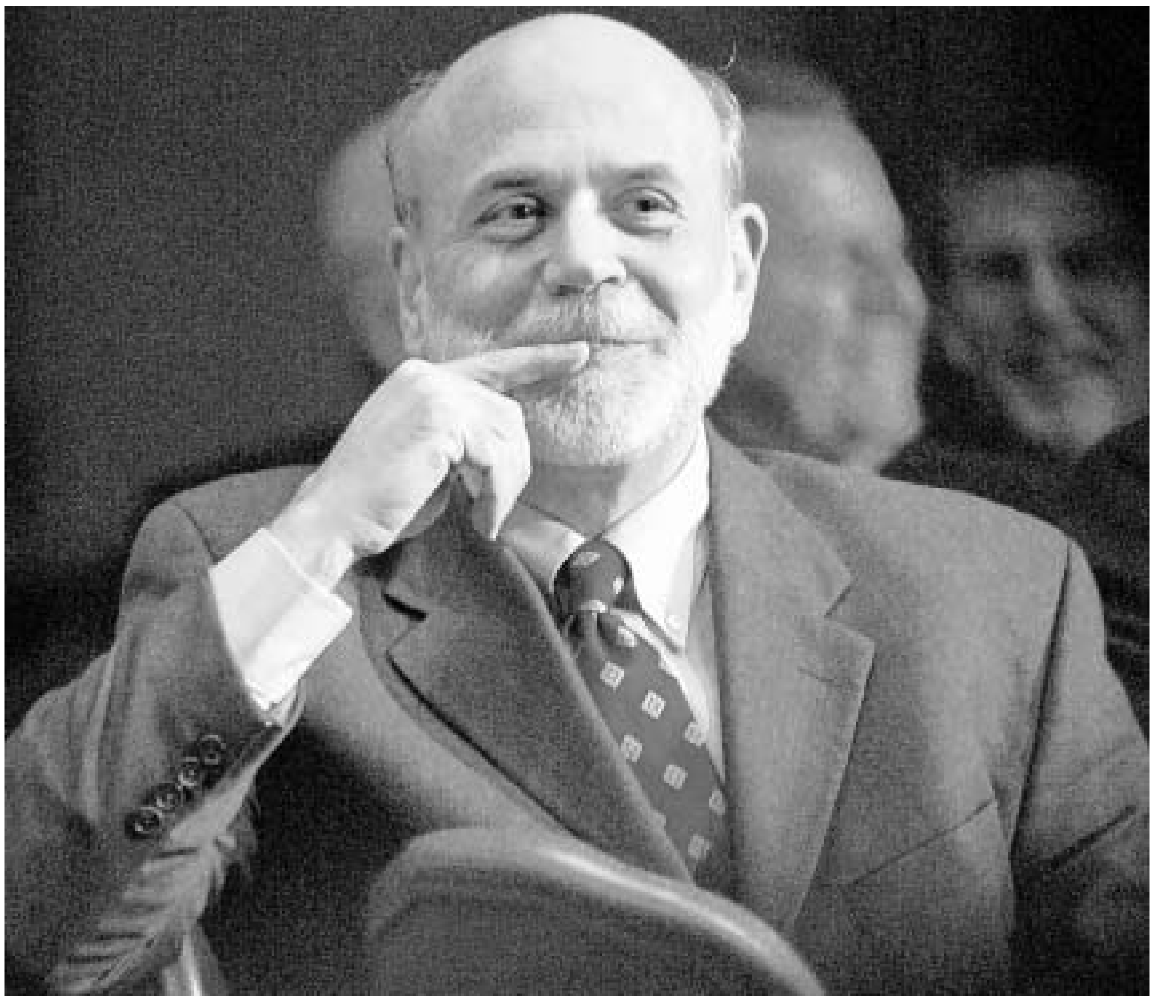
The message Mr. Plouffe is bringing was a collaborative effort by him, White House officials and the leadership of the Democratic National Committee. That message is one of no retreat amidst polling that shows opposition to the president's health-care push and discontent with his economic efforts.

Writing in Sunday's Washington Post, Mr. Plouffe said Democrats needed to quickly pass a broad health overhaul, get serious about job creation even as they tout the impact of last year's stimulus package, turn up the heat on Republicans over the deficits incurred in the Bush years, and stop grousing about the political climate.

Associated Press

David Plouffe, shown in France in June, will be brought on as a political consultant as the White House gears up for midterm elections.

U.S. NEWS


Reuters

The debate over U.S. Fed Chairman Ben Bernanke is drawing liberals and conservatives into unusual alliances

Bernanke regains steam

Senate leaders predict Fed chief will get enough votes for a new term

By Sudeep Reddy

WASHINGTON—The political winds appear to be shifting in U.S. Federal Reserve Chairman Ben Bernanke's favor, as the White House escalated efforts to win the 60 Senate votes needed to confirm him for a second term and Republican and Democratic leaders predicted those efforts would succeed.

But despite a flurry of activity during the weekend, confirmation wasn't a certainty. A few more senators said Monday they would support Mr. Bernanke, including Republican Sen. Lindsey Graham. As of Monday morning, 35 senators were publicly committed to voting for Mr. Bernanke, with 17 opposed, according to a Dow Jones Newswires survey. Of the 35 in favor, 24 are Democrats or independents and 11 are Republicans.

Senate Majority Leader Harry Reid (D., Nev.) expects a vote on Bernanke by the end of the week, his spokesman said Monday, according to the Associated Press. Mr. Bernanke's term expires Jan. 31.

Sen. Mitch McConnell of Kentucky, the Republican leader, and Sen. Dick Durbin of Illinois, the No. 2 Democrat, predicted Mr. Bernanke would prevail.

The debate over a second term for the 56-year-old Mr. Bernanke is eclipsing party affiliations in the Senate, drawing liberals and conservatives into unusual alliances. It has also reinforced the Fed's weakened standing with the public and Congress, and the threat to its long-cherished posture as independent from elected politicians.

All the dissonance has rattled Wall Street. "Financial markets usually react poorly when politicians start to bash the Fed," said Lou Crandall, chief economist at Wrightson-ICAP, a research firm. "The fear is that political pressure might prevent the Fed from pursuing a disciplined monetary policy, leading to greater inflation risks in the future."

A House hearing Wednesday on the Fed's still-controversial handling of the American International Group rescue in September 2008 will likely bring more negative attention to Mr. Bernanke's role in that episode, which he has described as the chapter of the crisis that made him the angriest.

Treasury Secretary Timothy Geithner, who led the New York Fed at the time, and other New York Fed officials are slated to testify.

Sens. Jim Bunning, a Kentucky Republican, and David Vitter, a Louisiana Republican, have indicated they would use AIG documents, which have been reviewed by Senate staff members in recent weeks, to make the case against Mr. Bernanke.

"I don't think they're going to reflect well at all" on Mr. Bernanke, Mr. Bunning said in an interview last week.

The drama surrounding Mr. Bernanke's fate likely will eclipse attention to the meeting of the Fed's monetary-policy committee Tuesday and Wednesday. No major shift in policy is expected. The Fed has been holding short-term interest rates near zero since December 2008.

Because of maneuvering by some senators opposed to Mr. Bernanke's confirmation, 60 votes are needed to proceed to a vote. After that hurdle, only a majority of those voting is needed to confirm him. As a result, some senators may vote in his favor on the first vote, then oppose him on the second.

—Jon Hilsenrath and Brent Kendall contributed to this article.

Existing-home sales fall

By Jeff Bater

Existing-home sales in the U.S. plunged in December, dropping lower than expected after three straight increases that were fed by a big government tax credit

Home resales fell 16.7% to a 5.45 million annual rate from an unrevised 6.54 million in November, the National Association of Realtors said Monday. However inventories shrank and prices rose year over year for the first time in more than two years.

Economists surveyed by Dow Jones Newswires expected an 11.6% decrease in sales during December, to a rate of 5.78 million.

"The market is going through a period of swings driven by the tax credit," NAR economist Lawrence Yun said. "We'll likely have another surge in the spring as home buyers take advantage of the extended and expanded tax credit."

For all of 2009, there were 5.16 million home sales, up 4.9%.

Democrat urges his party to retake the political center

[Capital Journal]

By Gerald F. Seib

Sen. Evan Bayh of Indiana, the very embodiment of calm understatement, seems an unlikely character to play the role of scold. But in recent weeks—particularly after last week's Massachusetts mauling—he has been scolding his Democratic Party, and sternly.

His message: Democrats and their president need to move decisively to the political center and root themselves there by showing they are serious about controlling spending and the deficit, which angry mainstream voters see as the real sign that Washington is out of touch.

Thus, while many Democrats complain that the Obama administration's problems arise because it hasn't been aggressive enough in pursuing a liberal agenda, Mr. Bayh arises to make the opposite case.


Evan Bayh

President Barack Obama, Mr. Bayh said in an interview, needs to "step it up" in his State of the Union address Wednesday and get tougher with Congress. Here's his message to the White House: "My strong advice is for you to draw a line in the sand on spending in the State of the Union, and to have the president pledge to veto spending bills that exceed the limits he puts out."

Many in his party, Mr. Bayh said, are "tone deaf" about the real message voters are sending, which is that Democrats have "overreached rather than looking for consensus with moderates and independents." He added: "It is amazing that some people here in Congress still don't get it....For those people it may take a political catastrophe of biblical proportions before they get it. I don't think we'll get to that. But we might."

These are stern words from a man known more for rounding the edges of a debate than sharpening them. But they come from someone who knows a thing or two about Democrats wandering into political minefields.

Mr. Bayh saw it happen in his own family. His father, Birch Bayh, was a respected veteran senator from Indiana in his own right when the conservative Reagan Revolution snuck up in 1980 and washed him and a Democratic Senate majority out to sea.

The son subsequently followed his father into politics and became governor of Indiana at the age of 32. From that seat, he watched as Democrats in Washington were again hit by a wave from the right in 1994 and lost control of both houses of Congress.

"Every 14 or 16 years we seem to have to relearn this lesson," Mr. Bayh said. "I do have a sense of deja vu, and the movie doesn't have a happy ending." But, he added, "there is an alternative ending we have an opportunity to write."

He has a personal stake in the ending, for he is up for re-election this year. He has been considered among the safest of Democrats, having won his seat last time with 62% of the vote. He has polled well ahead of any known Republican foes and has a daunting $12.7 million campaign war chest.

Still, the climate has turned so rapidly that some national Republicans are urging conservative Rep. Mike Pence, the House's third-ranking member and a vocal leader of the opposition to Democrats' health-care overhaul efforts, to challenge Mr. Bayh. It's unclear whether he will; Indiana's filing deadline is still a few weeks away.

Mr. Bayh said his poll numbers suggest he has a strong lead against any Republican foe.

In any case, Mr. Bayh has been sounding political alarm bells for weeks now over rising anger in the heartland. Part of voters' anger, he said, is directed "at all large institutions that they think have an unfair advantage. Part of it is a feeling that the rules of the game have been rigged to favor the big guys over ordinary people."

But Mr. Bayh bored in on this: "Part of it is anger at fiscal irresponsibility in Washington. People are having to make hard choices....They don't see Washington joining in that."

Thus, Mr. Bayh was one of only three Democrats to vote against a massive, catch-all, end-of-year spending bill his party's leaders steered through Congress in December.

He then asked Mr. Obama to veto it. In the aftermath of the vote, he put out a statement saying bluntly: "Washington is totally out of touch with mainstream America." Remember, that was well before Democrats lost that Massachusetts Senate seat.

Now, Mr. Bayh wants Congress to pass a jobs bill without "the usual grab bag" of spending items, but with tax cuts for small businesses that create jobs.

He isn't sure bashing banks will bring real economic improvement to average Americans, and he staunchly opposes denying Federal Reserve Chairman Ben Bernanke a second term.

He said he prefers "positive populism" in the form of, for example, more aggressive moves to create jobs and lower college costs. Above all, he wants that presidential line in the sand on spending and deficits.

"The only way Democrats can govern in this country is by making common cause with moderates and independents," he said. "It may be too late to regain them on health care. It's not too late to regain them on spending." To a president being pulled by some toward the left, and by others toward easy populism, Evan Bayh makes the case for driving a stake firmly in the political center instead.

WORLD NEWS

Argentina bars central banker

Latest bid to oust Redrado follows ban on using reserves to pay debt

By Matt Moffett

BUENOS AIRES—The struggle for control of Argentina's stockpile of foreign currency took a new twist as the country's central-bank president was barred from entering the bank late Sunday by police posted at the door by the government.

The government's latest effort to oust bank President Martín Redrado followed a two-pronged appellate-court decision late Friday that left Mr. Redrado's status in doubt, while also dealing another blow to the government's plan to use several billion dollars in central-bank reserves to pay foreign debt. President Cristina Kirchner's leftist government was scrambling to come up with alternative funding strategies so it can increase politically popular spending ahead of 2011 elections.

The dispute is one of several over central-bank independence playing out in various countries in the aftermath of the world financial crisis, though in no other country has the dispute taken such bizarre twists.

After being rebuffed at the bank Sunday, Mr. Redrado told the Buenos Aires newspaper Clarin that he would file suit against the government and also suggested he could reveal names of friends of the government who had bought dollars. A government spokesman said it had nothing to hide and that Mr. Redrado should just go away.

The 48-year-old Mr. Redrado, dubbed the "Golden Boy" by the media when he started his career in government in the 1990s, said he is confident he is in the right. In an opinion column published Sunday in the Buenos Aires daily La Nación, he said he was acting as "guardian of the reserves" to defend Argentina's economic stability.

The government was equally adamant. Cabinet Chief Anibal Fernandez vowed Friday that Mr. Redrado will "never more" return to the bank. Miguel Angel Pichetto, head of the Kirchner administration's bloc in the senate, said on Friday, "Redrado is out of the central bank and he should not be there any more. One alternative is removing him with public-security forces." Police were posted this weekend in front of the bank's entrance.

The dispute started in December, when Mrs. Kirchner announced the creation of a "Bicentennial Fund" for debt payment, to be funded with $6.57 billion of central-bank reserves. The idea was to free up resources for popular public-works projects while at the same time reassuring investors of Argentina's willingness to pay its debts. Argentina is trying to regain access to international capital markets after having been frozen out for eight years since it declared the largest sovereign-debt default in history.

Almost immediately after the plan was announced, Mr. Redrado faced pressure from Congress to refrain from releasing the reserves, which legislators insisted were under their control.

As Mr. Redrado delayed, Mrs. Kirchner on Jan. 7 fired him for "bad conduct." The central banker took his dismissal to court, and was reinstated the next day by a judge, who also blocked the transfer of the reserves into the fund.

Late Friday, an appeals court upheld the ban on transferring the reserves. But it created ambiguity over the future of Mr. Redrado by deferring the fate of the bank president to Congress and the executive branch.

The Kirchner government interpreted that part of the ruling as a victory. Miguel Angel Pesce, who had been Mr. Redrado's second-in-command, signed a document Friday confirming himself as interim president, the government said.

Mr. Redrado said he is still bank president. "I maintain my decision to continue carrying out my duties as an official until Congress decides the contrary," he said in the La Nación article. Mr. Redrado said he moved to get a jump on the government and its security forces by arriving Sunday night. He said the policemen at the door wouldn't let him enter, however. After being turned away from the bank, Mr. Redrado told Clarin, "If up to today I was defending myself, now I'll go on the attack." He said he would lay out his case before Congress.

Meanwhile, the government said it was scaling back on its plans to tap the central-bank reserves.

—Matthew Cowley contributed to this article.

Reuters

Argentine central-bank chief Martín Redrado, center, leaves his home Monday.

WORLD NEWS


Associated Press

Lebanese soldiers, on the shoreline near the Beirut airport, gather debris from the Ethiopian Airlines plane that crashed shortly after takeoff Monday.

No survivors in Beirut crash

Ninety people are believed dead after Ethiopia-bound Boeing 737 falls into Mediterranean

By Nada Raad

BEIRUT—An Ethiopian Airlines Boeing 737-800 with 90 people on board caught fire and fell into the Mediterranean Sea minutes after takeoff from Beirut early Monday morning. With an international search operation under way, no survivors has been found as of nightfall, and at least 14 bodies had been recovered.

The cause of the crash of Flight 409, which was bound for Addis Ababa, the Ethiopian capital. wasn't immediately known. Lebanese President Michel Suleiman said terrorism wasn't suspected. "As of now, a sabotage act is unlikely," Mr. Suleiman told a news conference. "The investigation will uncover the cause."

Defense Minister Elias Murr said a thunderstorm that hit Beirut on Sunday night might have played a role.

At 2:30 a.m. local time, shortly after takeoff, the plane was seen catching fire and falling into the sea about eight kilometers offshore, according to a statement by the Lebanese army.

There were 82 passengers and eight Ethiopian crew members on board, according to Ethiopian Airlines.

"We hope to find survivors, but it's unlikely," said Health Minister Jawad Khalifeh.

An international operation assisted the Lebanese army in search efforts. Naval ships and helicopters from the United Nations Interim Force in Lebanon were deployed to scan the Lebanese coast for survivors.

> Officials said terrorism wasn't suspected, and that bad weather likely played a role.

A French military warplane and three other planes—two British and one Cypriot—flew from Cyprus to aid search efforts, and a U.S. ship arrived Monday afternoon with special equipment and divers, the Lebanese defense minister said.

At Lebanon's international airport, grieving families of passengers gathered with hopes of learning the whereabouts of their relatives. "Where are you, Ali?" shouted one weeping woman carrying a prayer book. Another woman sat on her knees, her hands lifted to the skies: "God, rest our minds."

Some families expressed anger that no information had been provided about the fate of the passengers or the reason behind the crash. Others rushed to the mortuary where victims' bodies had been taken.

Among the passengers was Marla Sanchez, the wife of French Ambassador to Lebanon Denis Pietton. A spokesperson at the embassy said Ms. Sanchez was traveling alone to Addis Ababa on a private visit. As of Monday afternoon, her body hadn't been found.

Lebanon declared a national mourning day, and a parliamentary session to lower the country's voting age to 18 from 21 was canceled. Schools were shut. A cabinet meeting was set for Monday night to follow up on the crash. Prime Minister Saad Hariri inspected the location of the crash and visited the airport to comfort families.

Ethiopian Airlines said in a statement on its Web site that it "regrets to confirm the unfortunate accident of ET-409, which took place shortly after departure from Beirut International Airport."

Ethiopian Airlines Chief Executive Ato Girma Wake said a team of accident and crisis-management experts will travel to Beirut from London to assist with the rescue mission and establish a family-assistance center, according to the statement. He said the aircraft had been serviced on Dec. 25 and passed inspection.

Lebanese army personnel collected remains of the airplane offshore, near the airport. Ripped airplane seats, pillows and some parts were placed on the beach.

Some Ethiopian nationals who had relatives aboard came to the beach to ask if any bodies had been found.

Afif Kresht, 55 years old, was supposed to travel to Ethiopia last week. But he postponed his trip and took the plane for Addis Ababa on Monday morning, said his brother-in-law, Hesham Ismael.

Hours after dropping Mr. Kresht at the airport, Mr. Ismael received a phone call saying the plane had crashed. Mr. Ismael rushed from his home in South Lebanon to the airport.

But as of noon, he had received no information about his brother-in-law's whereabouts. "Nobody is talking to us," he said.

Mr. Ismael said Mr. Kresht has six children and has been working in Ethiopia for the past two years. "We hope to find him alive," he said, as tears filled his eyes.

Series of bombs in Baghdad kill 36

Continued from first page

found guilty, among other charges, of involvement in a poison-gas attack in 1988 against the Kurdish town of Halabja during Mr. Hussein's reign.

He was sentenced earlier this month, the latest of four death sentences he received in separate cases. There wasn't any immediate indication of a link between the execution and the attack.

Government spokesman Ali al-Dabbagh said Monday the latest bombings "represent an extension" of the activities of insurgents linked to Mr. Hussein's regime, according to the Associated Press.

The attacks targeted the Ishtar Sheraton, Babylon and al-Hamra hotels, popular with both visiting businessmen and, in the case of the Sheraton and al-Hamra, journalists.

The first attack appeared to be on the Sheraton. The blast toppled high concrete blast walls protecting the site, according to the AP. It also damaged a number of nearby buildings, across the Tigris River from the Green Zone, the protected area that houses much of the Iraqi government and the U.S. embassy.

China hardens rebut to critics of Web policy

By Loretta Chao

BEIJING—China has hardened its line against U.S. criticisms of its Internet policies following an initial period of restraint, with a coordinated rebuttal in its state media that seemed to target a domestic audience.

Dozens of commentaries were published and broadcast across major state-run Chinese media for a second straight day Monday, calling allegations by U.S. Secretary of State Hillary Clinton and **Google** Inc. hypocritical, and accusing the company of becoming a pawn in an American "ideology war."

The media onslaught followed a series of statements from the government that dismissed Mrs. Clinton's remarks on Internet freedom last week and allegations by Google two weeks ago that sophisticated cyber attacks targeting it and many other U.S. companies had originated in China.

The commentaries largely accused the U.S. of using "Internet freedom" as an excuse to incite anti-China forces, to infringe on other countries' domestic affairs and to mislead Chinese Internet users.

The blanket attempt to steer public opinion is also an implicit recognition of the limits to the government's control over the Web in China. State-run media outlets initially carried little or no mention of the content of Mrs. Clinton's speech or the Google allegations, but after that information was widely disseminated through blogs and other unofficial media, Chinese authorities apparently felt the need to forcefully clarify its stance.

An opinion piece in state-run newspaper Guangming Daily on Monday said the U.S. government "is relying on Internet technology as a tool to promote American values in other countries. An excuse for the use of this tool is the so-called free flow of information."

The article calls the U.S. hypocritical because it "uses its advantages of Internet technology and hegemony" to "put a stranglehold on information that the U.S. feels is contrary to American values," and said that the U.S. "was the first country to introduce the concept of network warfare."

The response also suggests Beijing is unlikely to be flexible in negotiations over how Google could continue operations in China.

State-run Xinhua news agency on Sunday quoted an unnamed official from China's Ministry of Industry and Information Technology saying that accusations that the Chinese government is participating in hacker attacks are "entirely baseless."

The same day, a column in the Communist Party's main newspaper, People's Daily, alleged the U.S. used the Internet to incite election protests in Iran last year.

"It was America that initiated Internet warfare, using YouTube videos and Twitter micro-blog misinformation to split, incite, and sow discord between the conservative and reform factions... to bring about large-scale bloodshed in Iran," the article said.

An earlier column in People's Daily called Google a "chess piece" for the U.S. government.

—Jason Dean, Sue Feng and Kersten Zhang contributed to this article.